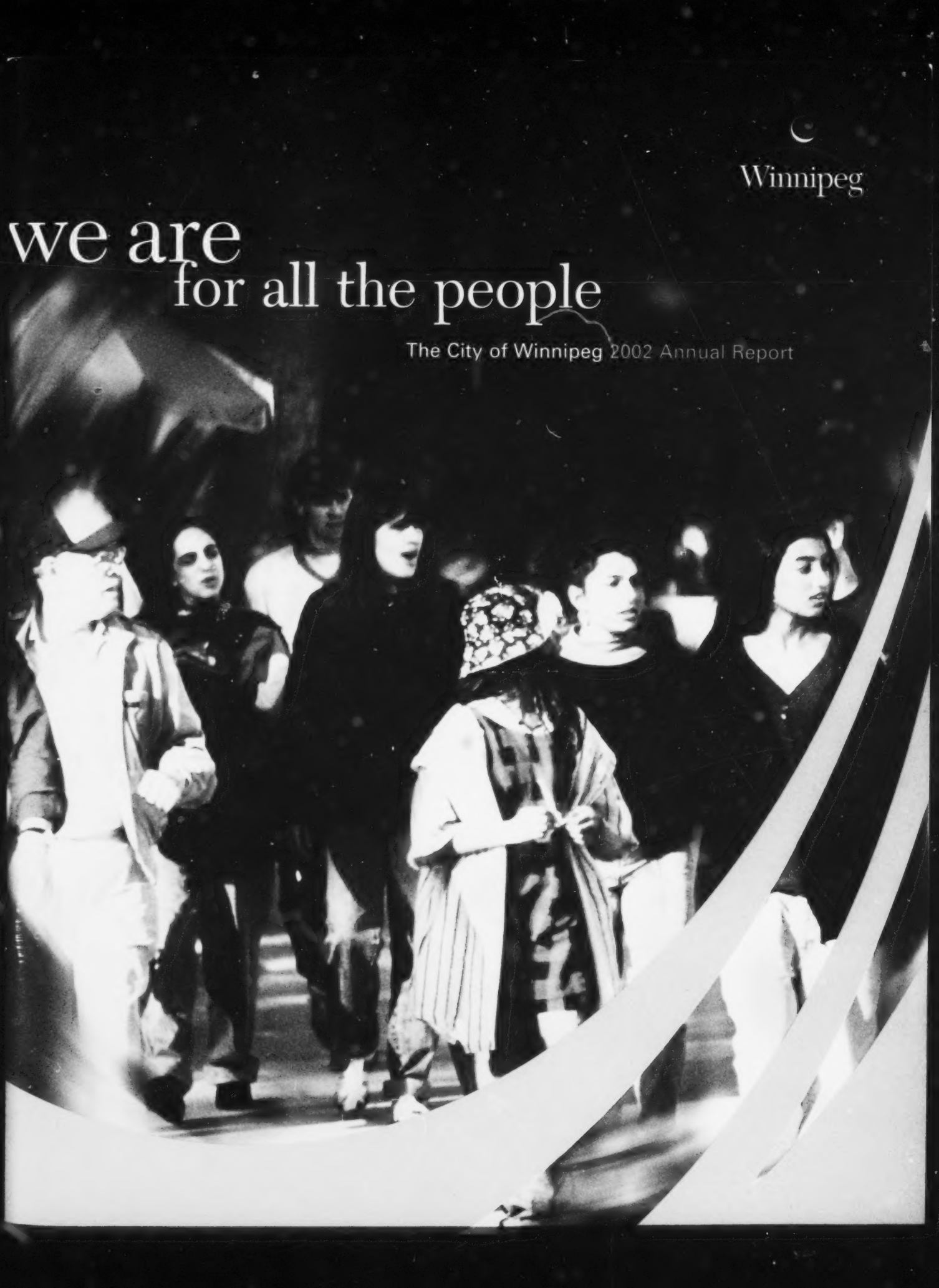
Winnipeg

we are for all the people

The City of Winnipeg 2002 Annual Report



Manitoba Cataloguing in Publication Data.

Winnipeg (MB). Corporate Finance Dept.
Annual Report.

Annual Report year ends December 31.
Continues: Winnipeg (MB). Finance Dept. Annual Report.
ISSN: 1201–8147 = Annual Report—City of Winnipeg.

1. Winnipeg (MB)— Appropriations and expenditures—Periodicals
2. Finance, Public— Manitoba—Winnipeg—Periodicals

HJ9014.M36W56 352.1710912743

Cover Photo: George Siamandas

103-05420/

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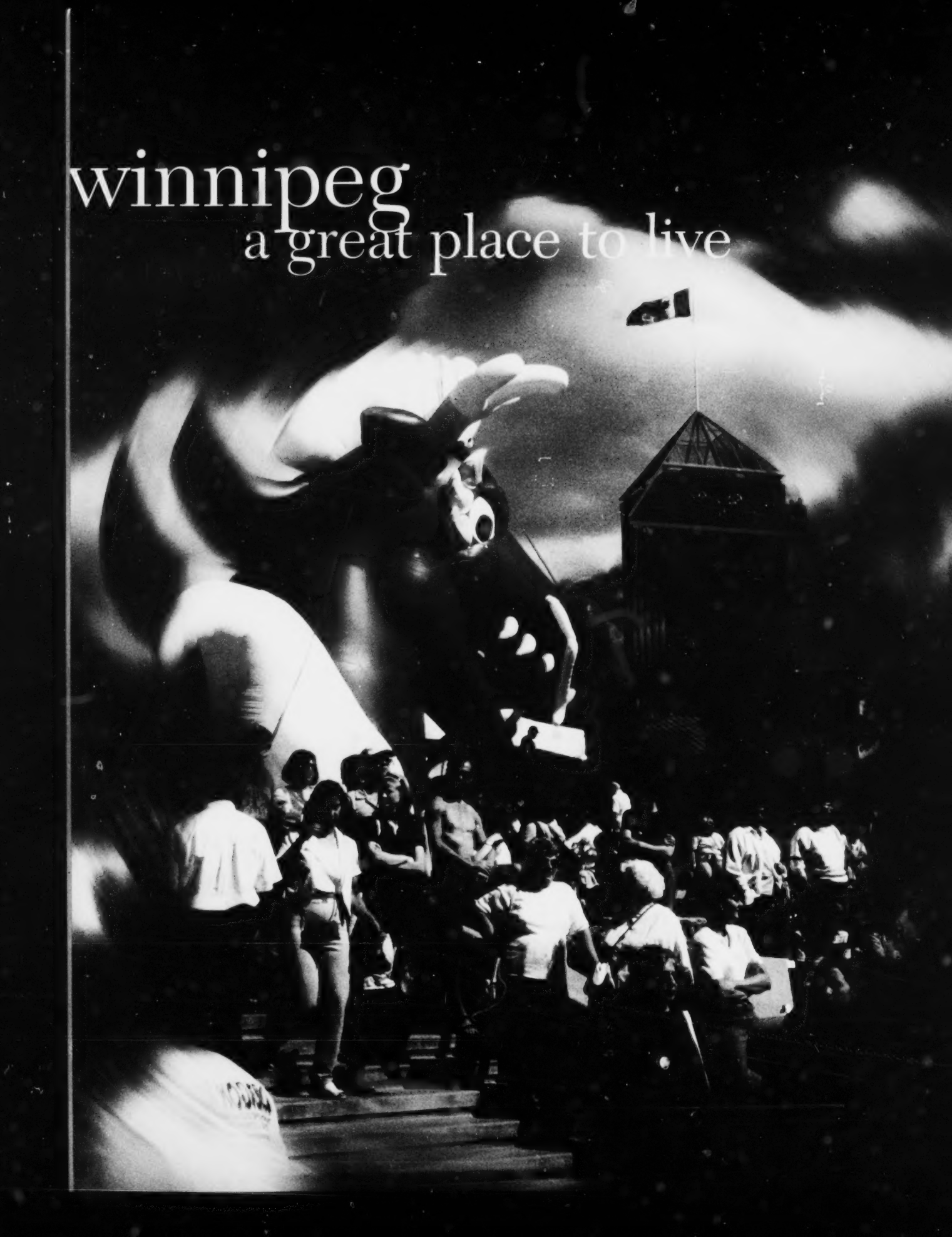

winnipeg
a great place to live

Winnipeg is a great place to live, and a great place to do business. The economy is the most diversified in Canada, its growth is steady, and the cost of doing business is among the lowest in North America. Goods from Winnipeg can reach anywhere in the world in 48 hours; the City is a leader in agribusiness, aerospace and the apparel industry, with Canada's second largest financial services sector, and a growing stake in media and biotechnology. Winnipeggers are working together to build an even stronger city.

We are… a city of beauty, prosperity and spirit

We Are Building

Winnipeg is building a stronger infrastructure for the future, with a capital budget that will invest $173 million in 2003 into major projects, including residential and regional street renewal, building bridges, repairing water and sewer systems, and improving public transportation.

We Are Renewing

CentreVenture, Winnipeg's downtown development agency, has been working aggressively to market the city center as a place rich in both heritage and opportunities. Projects like Red River College's Princess Street Campus, Waterfront Drive, the Provencher Bridge and the True North Entertainment Complex are transforming the downtown.

We Cherish Our Past

Winnipeg abounds in heritage treasures, from The Forks, to Louis Riel House, to the historic Exchange District, whose collection of terra cotta and stone-cut buildings is unrivaled in the world. *Plan Winnipeg* is committed to conserving those invaluable resources, through strategic planning, protection, and adaptive re-use.

We Value Our Neighbourhoods

Winnipeg's older neighbourhoods are being refreshed, renewed, and rebuilt, with help from the tripartite Winnipeg Housing and Homelessness Initiative and the joint Provincial/City Building Communities Program. The residents themselves have played an active part in planning and making these neighbourhood improvements.

We Have Spirit

Winnipeg's spirit of community is brighter than ever. A previous winner of both the national "Communities in Bloom" award and the Canadian "Winter Lights Celebrations" competition, Winnipeg is beautiful, summer and winter. The City is home to world-renowned arts organizations and several professional sports teams. Winnipeg hosts some of the truly great North American festivals, like the Winnipeg Fringe Festival and Festival du Voyageur – events that really have no equal.

We Are… Home

Winnipeg is beautiful, filled with scenic parks, a thriving and prosperous community which is home to many cultures. The City's people are the warmest and friendliest in the world. Winnipeg – it's a great place to call home!

Winnipeg abounds in heritage treasures, from The Forks, to Louis Riel House, to the historic Exchange District,

Message from the Mayor of the City

City Councillors improved public safety and the quality of life in Winnipeg in 2002, without increasing property taxes.

We did so after successfully reducing property taxes by more than eight per cent over three years.

In the 2002 election, the voters called for more police, fire and paramedic services. We have responded with a budget that makes public safety our No. 1 priority. The 2003 City budget, tabled in January, puts 18 more police officers and eight more firefighters on Winnipeg streets. Other public safety initiatives include new ambulances, Photo Safety Technology and the Building Safer Communities program, which provides increased recreational opportunities for youth.

The tax-supported budget is balanced and protects front-line City services such as transit, libraries, recreation programming and pools. It also provides $1.2 million in increased funding for public art, festivals, and arts and culture.

At the same time, debt and finance charges have decreased by $8 million over last year's budget, because of Council's policy of no new borrowing for capital projects.

Residential streets and roads throughout Winnipeg will be repaired and reconstructed under the Capital Budget. The City will put $173 million into major projects, including residential and regional street renewal, building bridges, repairing water supply and sewer systems, improving public transportation, and protecting the City from floodwaters.

The budget sets aside money to start two major projects: the Kenaston underpass and the first leg of a rapid transit corridor for buses. Fixing what's broken is every Winnipegger's first priority. But simply renewing what we already have is not enough. This budget commits the City to addressing our transportation and environmental challenges. This is a plan to improve Winnipeg's infrastructure and lay the groundwork for a more creative city.

Despite this hard work by City Council, it is apparent that the current system of financing cities is not sustainable. I have joined with other mayors and municipal governments in calling on the federal government to provide more funding for our vital infrastructure needs, without increasing the overall tax burden.

Other initiatives of this Council are blossoming.

The construction of the Princess Street campus of Red River College is continuing, with hundreds of students already attending classes there, thanks in part to our Heritage Tax Credit Program. Manitoba Hydro has recently called for expressions of interest in its proposal for a 400,000 square foot head office downtown to accommodate 2,000 employees, one of the commitments the provincial utility made when it bought Winnipeg Hydro. The True North Entertainment Centre will take shape on the old Eaton's site this year, bringing exciting sports action and world-class concerts to Winnipeg's downtown.

Recycling in 2002 increased by 32 per cent over 2000. Later this year, residents will no longer be required to sort their recyclables prior to collection, and the list will be expanded to include most household plastics.

The three major international credit rating agencies recognize that Winnipeg is getting its financial house in order by maintaining or upgrading our credit rating.

In March 2003, Gail Stephens resigned as Chief Administrative Officer to become Chief Executive Officer of the BC Pension Corporation in Victoria. Ms. Stephens was hired as the City's first CAO in 1998, after changes to City governance were adopted. She has set the standard by which future CAOs will be judged. Her steady hand and sound judgment in administration have been vital to the progress we have all made as a City government in the past five years. I will miss her, and join all City Councillors, City staff and the citizens of Winnipeg in wishing her all the best in this new phase of her career.

This Council remains focused on improving vital civic services without raising property taxes. I look forward to reporting further progress to you next year.

Glen Murray
Mayor

Message from the Chief Administrative Officer

Serving Citizens, the City of Winnipeg's corporate action plan, committed staff to the goal of "affordable, responsive, and innovative public service." This is a commitment we have kept; in 2002, it continued to be our guide.

Over the past several years, we have put in place one of the most comprehensive municipal planning frameworks in Canada. Plan Winnipeg's vision and City Council's policy direction are now reflected in detailed corporate and departmental business plans. These planning efforts have a single purpose: more affordable, responsive, and innovative service… for all the people of Winnipeg. As an administration, we believe that planning is all about people – meeting their needs, and serving their aspirations.

We are proud to have assisted City Council in making civic government more affordable. Through better business planning, operational efficiencies, and careful management of our human resources, we were able to help Council meet its goals for taxation relief. We truly have become one of the most cost-effective municipal governments in the country – in 1990, we had over 11,000 employees; at the end of 2002, we had fewer than 8,500. We learned to do more, with less.

Fiscally, the City of Winnipeg is more robust than it has been in many years. The combination of our reserves and surpluses are higher, as is our credit rating. As well, the City's assessment roll increased by over $385 million in 2002.

Innovation was front and centre over the past year. Staff worked hard with Council, and with their provincial counterparts, in the development of the new City of Winnipeg Charter, which came into effect on January 1, 2003. The Charter is an historic piece of legislation, which enhances the City's capacity to fulfill its role; it marks the beginning of a new relationship with the Province, and a new era for the City.

Another historic initiative was the sale of Winnipeg Hydro to Manitoba Hydro. It improves the City's fiscal position; affords the utility greater scope, and its employees greater opportunity; and ensures the continuation of high-quality, reasonably-priced service to the consumer.

For all the change and innovation, though, one thing remained the same in 2002: our desire to provide the people of Winnipeg with excellent service. We opened the newly combined fire and ambulance communications center, and embarked on a program to improve our 911 Centre. Our Family Violence Intervention teams provided support to 365 families in 2002, and our Building Safer Communities program gave recreation opportunities to over 10,000 children and youth. Of course, we continued helping to build Winnipeg, supporting *CentreVenture*, encouraging home renovations in targeted communities, and inaugurating a new Universal Design Policy for street construction – to ensure accessibility for all Winnipeggers.

As the Mayor has noted, in 2003 Council has embarked on many exciting new initiatives, investing in public safety, transportation, the environment, and the arts. Civic staff will continue to exercise all the skill at their command to support these initiatives.

As this is my last annual report, I would like to thank Mayor Murray, all Members of City Council, and especially all City staff, for the opportunity to work with you to make Winnipeg a better place.

Gail Stephens
Chief Administrative Officer

Message from the Chief Financial Officer

I am pleased to present The City of Winnipeg's consolidated financial statements for the year ended December 31, 2002. During the year, The City of Winnipeg recorded revenues of $1,157 million and expenses of $895 million, which resulted in a $262 million increase in our accumulated surpluses and reserves. The majority of the increase can be attributed to the sale of Winnipeg Hydro, which Council approved on February 27, 2002.

The sale of Winnipeg Hydro has allowed the City to significantly reduce its total debt. As at December 31, 2001, debt issued on behalf of Winnipeg Hydro represented approximately 20% of total debt outstanding. The City received $167 million of Manitoba Hydro bonds with terms that matched those of the City-issued Winnipeg Hydro debt thereby eliminating the debt from the financial statements of the city.

Debt also declined during 2002 because of $80 million in sinking fund debentures which matured with an interest rate of 8.87%. This debt, together with debt issues that matured in 2000 with rates of 11.75%, were refinanced on January 17, 2003 when the City issued debentures of $97.2 million at an average rate of 4.88%.

For the fourth year in a row, during 2002, the City maintained its policy of not approving new tax-supported debt. Under our current capital plan, all new tax-supported projects are to be financed internally. As a result of this and the sale of Winnipeg Hydro, total net debt is $425.3 million, down from its peak of $818.8 million in 1999.

The City's exit from the electric generation industry, its reduction of debt along with declining taxes, rising liquidity and solid budgetary performances resulted in Standard and Poor's Ratings Services to raise its long-term issuer and senior unsecured credit ratings to "AA" from "AA-".

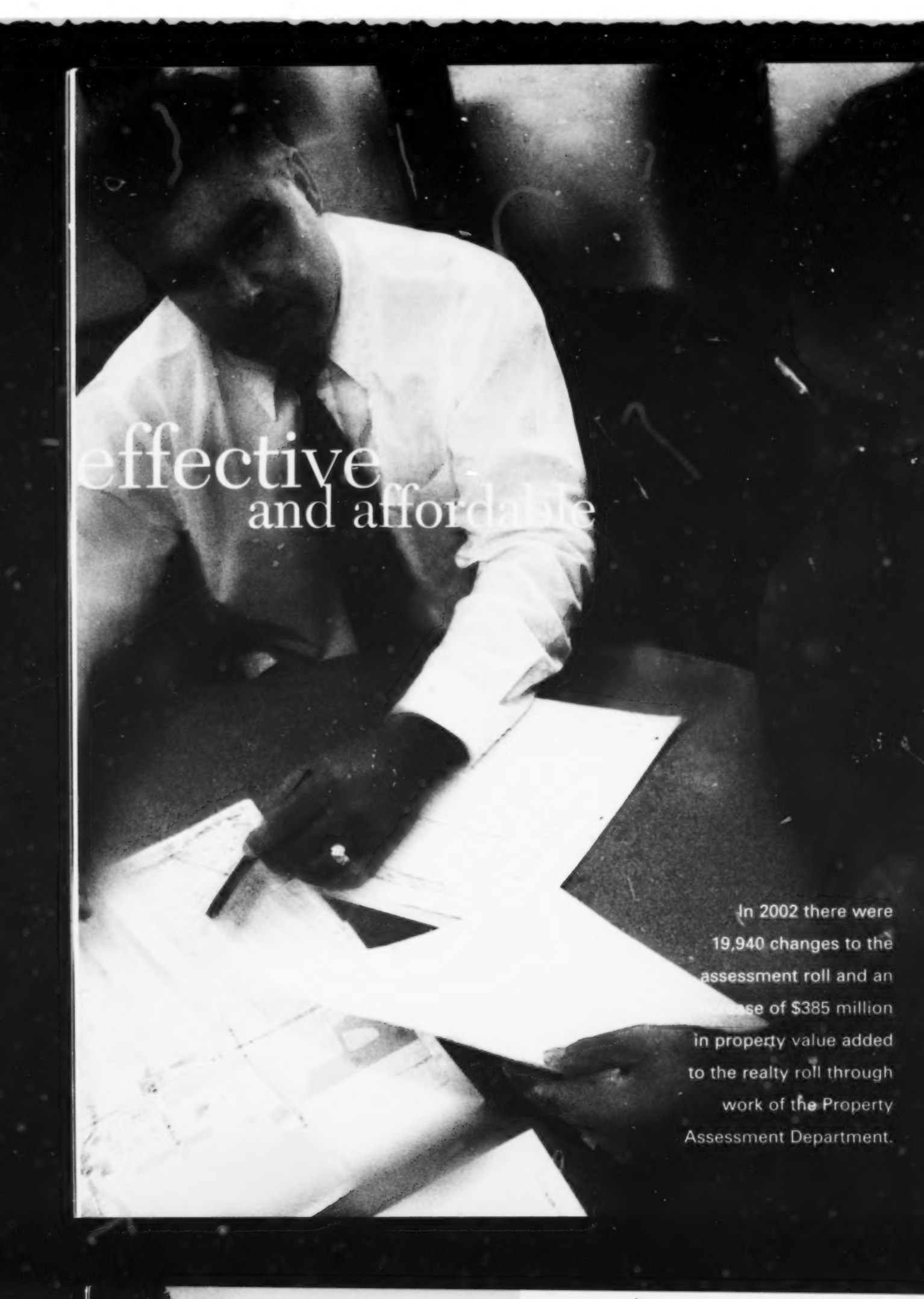
Several note worthy projects were approved by Council during 2002. On April 24, 2002, Council approved the amalgamation of two of our wholly-owned corporations, Economic Development Winnipeg and Tourism Winnipeg, into one agency, Destination Winnipeg. Destination Winnipeg will work with both the City and the Province to promote regional consistency in planning and development in furthering Winnipeg's central role in the Capital Region. The new Agency will also focus on the marketing and the promoting of Winnipeg and its attractions and amenities.

On May 22, 2002, Council approved a project to replace the majority of the city's interdepartment business systems including the human resources, payroll, time and attendance, inventory, purchasing and finance functions. PeopleSoft software and Deloitte & Touche were chosen as consulting partners. This is a two year project to be finished in April of 2004. The first phase of the project, which included the finance, payroll, time and attendance, went operational in April 2003, on schedule and within budget.

In closing, I wish to thank all those who contributed to the preparation of the financial statements. For the first time they are prepared in accordance with Canadian generally accepted accounting principles for governments as confirmed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Respectfully submitted

Robert P. Gannon
Chief Financial Officer



In 2002 there were 19,940 changes to the assessment roll and an increase of $385 million in property value added to the realty roll through work of the Property Assessment Department.

Improved systems and better business practices ensure a more efficient and cost-effective municipal administration. This section reports on 2002 activities which have led to improving the financial performance of the City without compromising the level of service to citizens.

We are… an effective and affordable civic government

Review of the City of Winnipeg Act

The new *City of Winnipeg Charter* came into effect on January 1, 2003. The Charter replaces the *City of Winnipeg Act* and features some significant enhancements and flexibility to the City's powers. The amendments to the Act are the result of an extensive analysis of the impact of the Charter upon existing City by-laws which was conducted by Legal Services in consultation with other civic departments.

Credit Ratings Improve

The City's credit rating is on the rise. On January 14, 2003, Standard and Poor's raised its credit and senior unsecured debt ratings on the City of Winnipeg from AA- to AA. Moody's Investors Service, New York reconfirmed the City of Winnipeg's credit rating in 2002 at Aa3 with a stable outlook. The City received an upgrade from Moody's in 2001 from A1 to Aa3.

In another Moody's report released in April 2002, Winnipeg was named the number one real estate market in Canada. Winnipeg scored 87 out of a possible 100 points to lead the country in the categories of multifamily, retail, office and industrial real estate markets.

Sale of Winnipeg Hydro

In February 2002, Manitoba Hydro forwarded a proposal for the purchase of Winnipeg Hydro from The City of Winnipeg. Formed in 1906, Winnipeg Hydro, as a City department, had been providing hydro-electric service to customers in the inner city since 1911. The purchase proposal provides a guaranteed revenue stream to the City of $25 million per year for the first five years; $20 million for years six to nine; and $16 million per year in perpetuity. The sale also significantly reduced the City's outstanding debt. The historic sale was closed on September 3, 2002. All Winnipeg Hydro employees were guaranteed jobs with the merged companies and Manitoba Hydro agreed to build an office tower in the downtown within five years.

Realty Roll Increasing in Value

In 2002 there were 19,940 changes to the assessment roll and an increase of $385 million in property value added to the realty roll through work of the Property Assessment Department. During the year 60,955 properties were inspected.

The realty roll, following all appeals at the Board of Revision, remained at 99.35% of its original value, while the Business Assessment roll was maintained at 99.67% of value. There were a total of 326,894 customer contacts during the year including more than 276,000 visits to the department's award winning web site.

In another Moody's report released in April 2002, Winnipeg was named the number one real estate market in Canada.

Connexus to Improve Systems

Connexus is a major corporate initiative intended to create greater efficiencies in business reporting systems such as finance, human resources, payroll, purchasing and inventory.

Connexus has four major purposes: achieving affordability, modernizing technology and systems, adjusting for a smaller future workforce, and positioning for e-government and electronic services to citizens.

The 70-person Connexus team worked in the last quarter testing the new software and consulting with staff.

Council approved the business case for the Connexus Project in May 2002. Connexus awarded external contracts for project implementation to Deloitte and Touche LLP, PeopleSoft Canada and Hewlett Packard Canada.

The 70-person Connexus team worked in the last quarter testing the new software and consulting with staff from across the organization. PeopleSoft financial applications become operational in the Spring of 2003.

Human Resource Initiatives

A Respectful Workplace Directive was approved in 2002. This Directive brings all Human Resource policies in line and provides administrative procedures to build and maintain a respectful workplace.

Corporate Education implemented the City's Employee Work Planning and Performance Feedback System. This system is supported by a variety of tools and resources including: the Employee Work Planning and Performance Management User Guide, the Foundations of Supervisory Development Course, the Work Place Leader Course, and six On-Line Learning Modules.

The $3 million City/CUPE Joint Education, Training and Staff Development Fund received a "Successful and Effective Partnership Award" in 2002 from the Canadian Association of Municipal Administrators. The fund is designed to help build the workforce of the future through education, training and staff development.

The City is committed to a dynamic and diverse workforce of highly skilled employees delivering excellent service to the citizens of Winnipeg. With the strength of a skilled and diverse workforce, the city is better able to deliver over 100 services to its citizens.

Election 2002

The City Clerk's Department successfully organized and ran the 2002 Civic Election on October 23. Elected officials, both Mayor and Councillors, are in office for a four-year term. The voter turnout at the 2002 Civic Election was 48.7%.

Bilingual Service Centre Opened

April 2002 was the official opening of the Bilingual Service Centre at 614 Des Meurons Street. This partnership with Federal and Provincial governments is Canada's first completely bilingual tri-level government service centre. The office guarantees citizens initial contact with the City in either official language, and provides services on behalf of several City departments. Citizens can make tax payments, water payments, purchase a dog license, and obtain City information.

Alternative Service Delivery update

The City completed various stages of work relating to Alternative Service Delivery (ASD) initiatives, a key tool to support the City's efforts in achieving more affordable government. Progress was made in several key areas:

- Established Golf Services on January 1, 2002 as the City's third Special Operating Agency.
- Prepared the business plan and operation charter for the Fleet Management Agency.
- Implemented the feasibility study for Parking Services and prepared a parking policy for downtown Winnipeg.

Bid Process On-line

All City of Winnipeg bid opportunity documents are now available on the Materials Management web site. The city is now moving toward electronic receipt of bids. In 2002, the City's Material Management division became the first Canadian recipient of an *Award for Excellence in Public Procurement* from the National Institute of Governmental Purchasing.

Multi-Year Operating Budget

In 2002, the City approved the final installment of its first three-year budget. Moving to a three-year budget allows for better management of the City organization through a longer-term planning horizon. The 2002 adopted budget decreased property taxes by 2% for the third year in a row.

Enhanced Tax Billing and Collection System

For the 2002 taxation year, the Taxation and Revenue Division provided customers the opportunity to review their tax bills directly on Canada Post's web site - EPOST.

Committee Saves $1.4 million

An award for Innovation in Government was received from the Winnipeg Chamber of Commerce by the Work Process Efficiency Committee which achieved $1.4 million in annual savings at the City.

Better Tracking of Risks

The City is implementing a new Risk Management Information System to assist departments in tracking and analyzing risks throughout the organization.

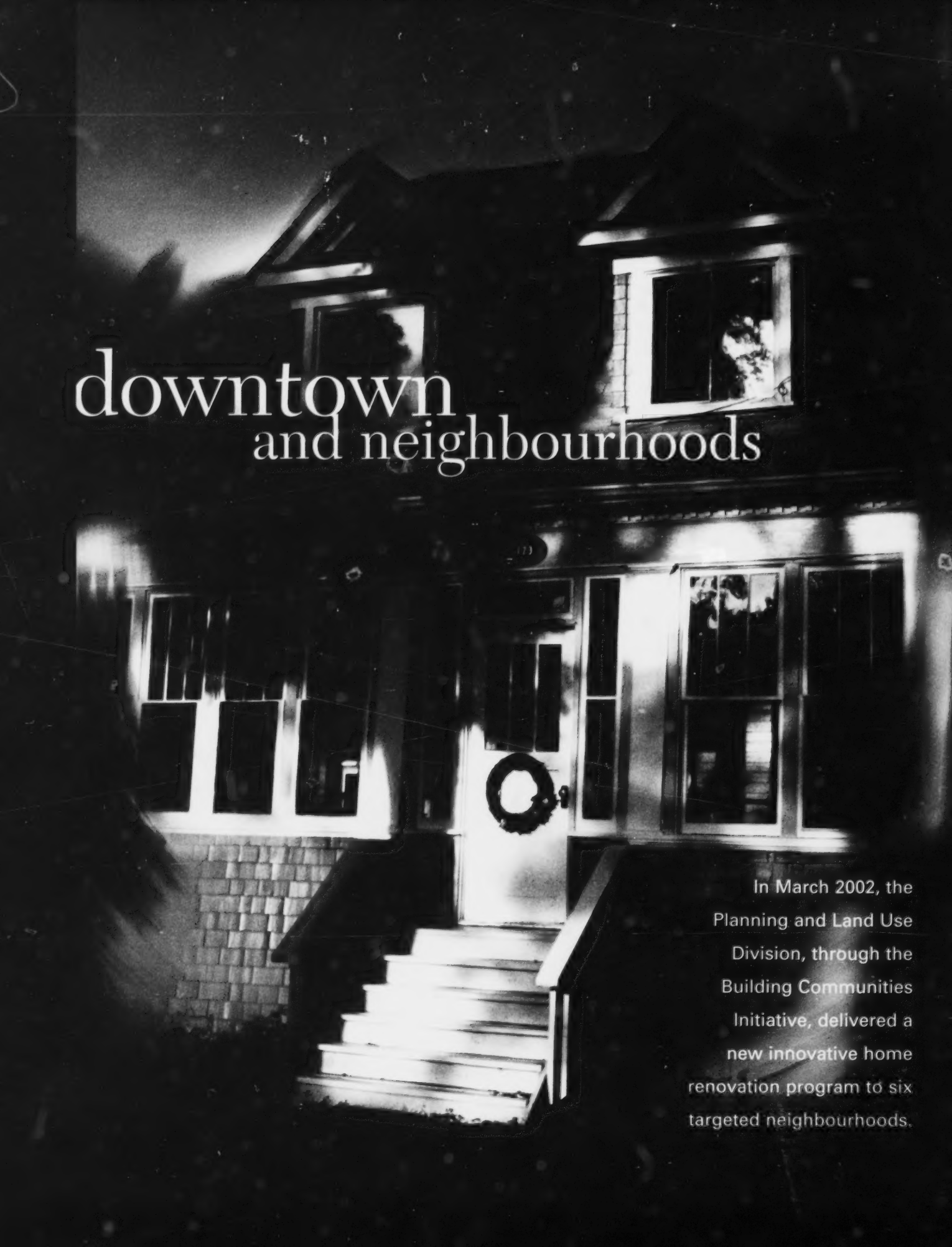
Corporate Information Technology

The Land Based Information System program has become more user friendly and now provides data for city-wide use for GIS analysis accessible through the Internet.

The Corporate Internet web site responded to ten Universal Design recommendations to become more accessible to citizens.

The Corporate Information Technology Department worked closely and collaboratively with the Connexus project in the planning, staffing, training, implementation, and documentation of Connexus infrastructure hardware and system software.

The City is committed to a dynamic and diverse workforce of highly skilled employees delivering excellent service to the citizens of Winnipeg.



downtown and neighbourhoods

In March 2002, the Planning and Land Use Division, through the Building Communities Initiative, delivered a new innovative home renovation program to six targeted neighbourhoods.

The City is promoting downtown development to stimulate revitalization and restore the excitement of downtown as both an important shopping and entertainment destination and a convenient place to live. Older inner-city neighbourhoods are undergoing restoration in order to retain their unique character and to maintain a viable and marketable housing stock.

We are... developing downtown and neighbourhoods

Integrated Planning Model

In July, Council approved a new Integrated Planning model for the Planning, Property and Development Department. The new model will enhance the efficiency of the department through increasing resources in the permits and inspections area and providing a single point of contact for development applications. The model also provides an enhanced role for Community Resource Coordinators. Approximately $1 million was approved for new staff resources and improvements.

New Downtown Parking Policy

During 2002, City Council adopted the Parking Policy for Downtown Winnipeg. These new guiding principles and strategies provide greater clarity to existing policy related to parking, and allow for a more comprehensive policy framework than currently exists. The policy also supports the creation and operation of a consolidated parking operation (Special Operating Agency), which City Council also endorsed in late 2002.

Building Communities - Home Renovations

In March 2002, the Planning and Land Use Division, through the Building Communities Initiative, delivered a new innovative home renovation program to six targeted neighbourhoods. Over 700 homeowners were encouraged to upgrade and renovate their homes. The strategy on a cost-shared basis resulted in an average of $5,000 per home being reinvested in the community.

Royalwood Study

In June 2002, City Council initiated an independent assessment of the long-term traffic and environmental impacts of the proposed bridge access to the Royalwood subdivision. A three-month evaluation of the options and impacts was undertaken

In July, Council approved a new Integrated Planning model for the Planning, Property and Development Department.

including public open houses attended by over a thousand participants. The following conclusions were reached:

- The Southglen bridge location was considered the best option providing immediate access to a 1,200 home subdivision, and linking communities east and west of St. Anne's Road
- The proposed bridge would be constructed mindful of minimizing environmental impacts, and be paid for by the developer
- The City, in partnership with community and stewardship groups, would work actively over the next year to continue to preserve the remaining 97% (80 acres) of the forest and wildlife habitat. Towards this goal, the City has committed $1 million, with the opportunity for private groups to access $600,000 in additional matching funds.

CentreVenture Support

The CentreVenture Asset Agreement was renewed and updated to include new properties and provide for improved access to the building inventory.

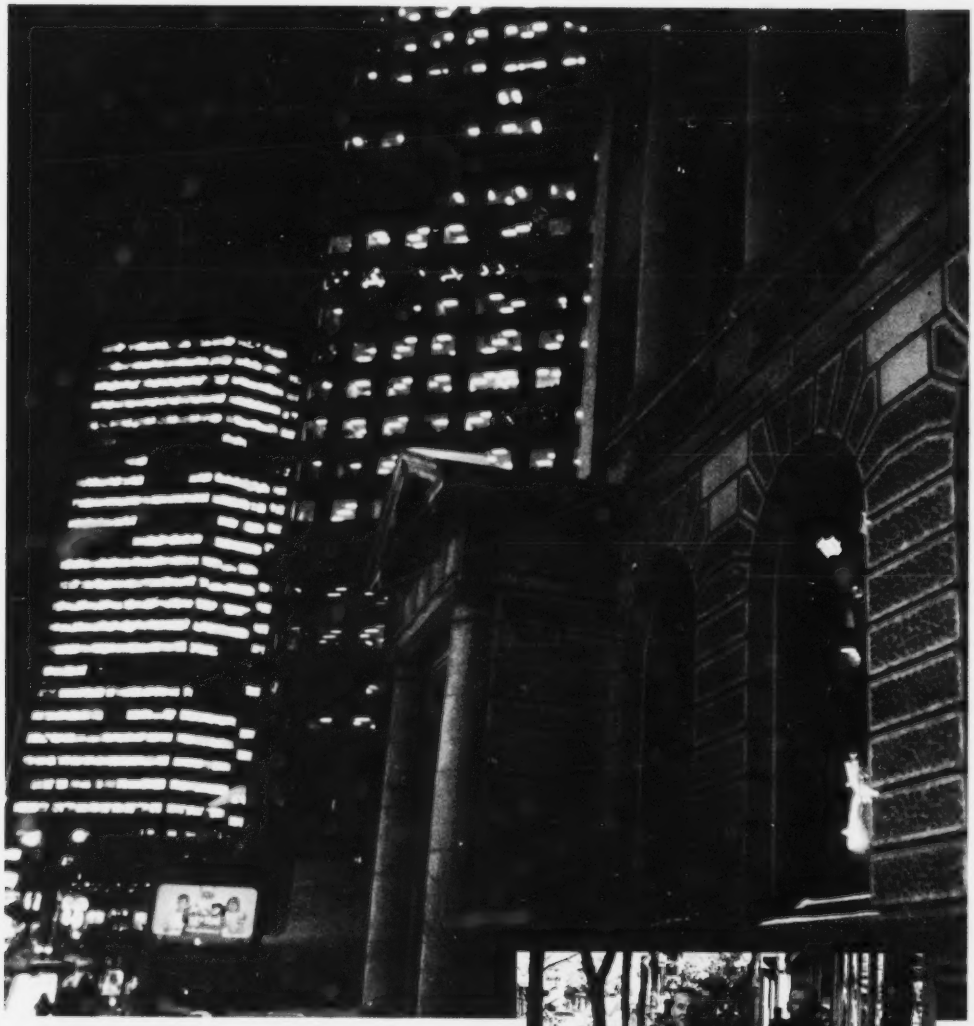
Planning, Property and Development partnered with CentreVenture and downtown stakeholders on several significant initiatives including the updating of the City's Downtown Zoning By-law, a Portage Avenue Vision and Context Strategy, and a Weather Protected Pedestrian Walkway Study.

The City provided support to CentreVenture on Strategic Economic Development projects and grants. The City also provides funding and administrative support for the CentreVenture Downtown Heritage Incentives Programs.

New Development Criteria Approved

In 2002 Council approved new Development Agreement Parameters. These are guidelines that outline the conditions and requirements that the City would consider imposing on the approval of a subdivision and/or zoning application.

Winnipeg Transit implemented a new free downtown shuttle called the "Downtown Spirit" in June 2002.



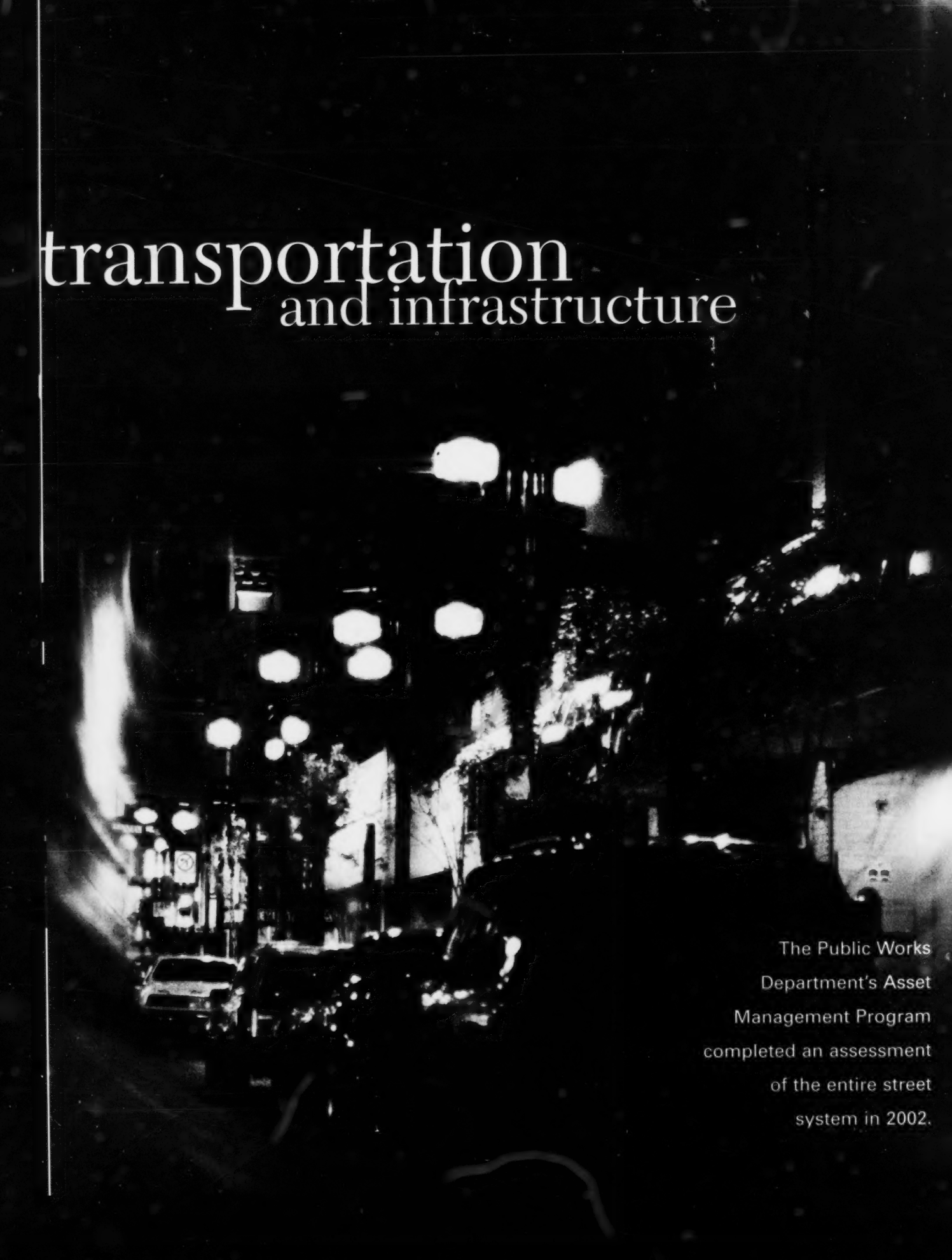
Handi Transit

Winnipeg Transit *"i Ride"*, a computerized trip scheduling system allows customers to book their trip by phone up to one week in advance instead of having to plan a trip 48 hours in advance. The *i Ride* system has allowed Handi Transit to accommodate about 15% more requests .

Downtown Spirit

Winnipeg Transit implemented a new free downtown shuttle called the "Downtown Spirit" in June 2002. The new service replaces the old Downtown Flyer and a major component in funding the program was the advertising/sponsorship sold on the vehicles to downtown businesses.

transportation and infrastructure



The Public Works Department's Asset Management Program completed an assessment of the entire street system in 2002.

Roads, sidewalks, pathways and bridges are the connectors that help keep a city functioning smoothly. To sustain its viability, a city must continually reinvest in its infrastructure. This section highlights some of the major transportation and infrastructure initiatives from the past year.

We are... responsible for development, transportation and infrastructure

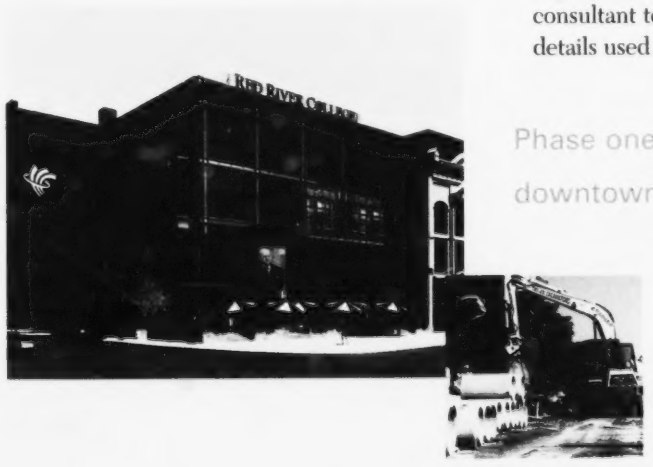
Public Works Projects

The Public Works Department manages over $5 billion of infrastructure, which includes the streets inventory of 6,750 lane kilometres, 900 lane kilometres of alleys and 3,103 lane kilometres of sidewalks. It also includes a bridges inventory of 196 structures (bridges, traffic and railway underpasses, and major culverts).

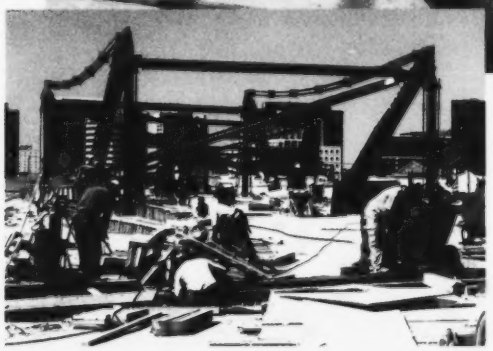
Construction continued on the $67 million Provencher Paired Bridges, one for vehicles and the other for pedestrians and recreation. The south span of the vehicle bridge was opened in 2002 and significant work was completed on approach roads. The pedestrian bridge is a modern cable–stayed structure featuring a large plaza for commercial activities. The bridge will provide a natural link between the Forks and the downtown to the French Quarter in St. Boniface. The Waterfront Drive project spans the west side of the Red River from Lombard to Higgins Avenue. The development includes significant park construction/improvements including bicycle and pedestrian path systems. The project paves the way for private sector investment in the area.

- Public Works continued the program of painting the curb lane lines on multi-lane streets to more safely accommodate cyclists.

- The department adopted the Universal Design Policy as it relates to construction and renewal of the street system. The department also engaged a universal design consultant to review standard construction details used in street construction projects.



Phase one of the Red River College downtown campus opened in 2002.



- The Public Works Department's Asset Management Program completed an assessment of the entire street system in 2002, and maintenance work planning based on the assessment has been undertaken on the local street system in 2002.

- Capital investment in the renewal of regional and local streets and the bridge system in 2002 was $24.8 million.

- Moray Street from Roblin Boulevard to Grant Avenue was extended to improve traffic access to and from the Charleswood Bridge and to relieve traffic on adjacent residential streets. Dakota Street between Abbotsford Crescent and Southglen Boulevards was widened to four lanes to meet traffic needs in south St. Vital.

Watermain Repairs

With more than 2,400 kilometres of water mains, the City has a long-term program to reduce breaks (cathodic protection and water main renewal). In 2002, 13.9 kilometres were renewed and 8.3 kilometres were cathodically protected, for a total cost of $9 million.

New Look for Winnipeg Transit

For more than 50 years, Winnipeggers became accustomed to seeing orange and cream public transit buses on City streets. In 2002, Winnipeg Transit implemented a new colour scheme for its vehicles provided by New Flyer Industries. The colour scheme incorporates a colourful stripe, and City logo on a white background. The design is not only attractive and modern, it provides a savings of approximately $1,000 per bus by reducing the number of colours on the vehicle.

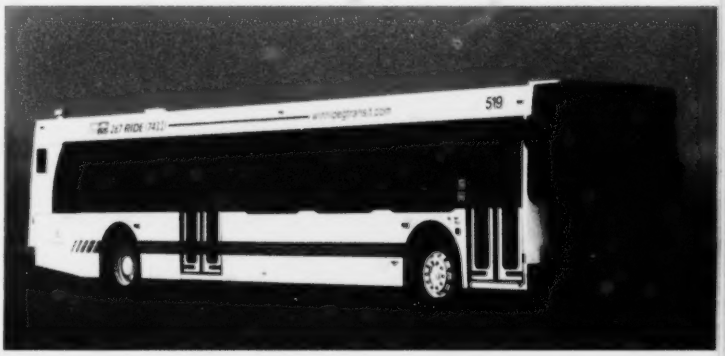
In 2002, Winnipeg Transit implemented a new colour scheme for its new vehicles provided by New Flyer Industries.

Automatic Passenger Counters

In 2002, Winnipeg Transit completed the installation of automatic passenger counters on 63 buses. This represents the first half of a program aimed at more information technology on board buses to improve service to the public. Based on the use of automatic passenger counters, this will assist Transit in planning and developing new routes as well as potentially providing more information to transit users via telephone, cell phones, personal digital assistance devices, the Internet, and information kiosks located at major bus stops.

NaviGo Trip Planner

In December 2002, Winnipeg Transit implemented a new trip planner function on the Transit web site. Based on the success of this "test" program, Transit promoted the new trip planner function under the brand name "NaviGo" in early March 2003. The NaviGo trip planner allows people who may not be familiar with Transit to input departure and destination data and the system then selects the optimum routing for them.



health and safety

The new City of Winnipeg Charter will provide an opportunity to proceed with amendments to the Fire Prevention By-Law.

The safety of citizens remains a service priority. Fire and emergency medical response, building standards and inspections, crime and injury prevention, and emergency preparedness form the basis of this protection. Health inspections, animal control, and the provision of city-wide library services enhance the health and education of our citizens.

We are... concerned for the health and safety of our citizens

Photo Radar Hits the Streets

During the year, the Winnipeg Police Service introduced 12 photo radar cameras at various intersections in the city. The goal is to reduce collisions and injuries by reducing red light running and excessive speeding. During the warning phase of the program, there were more than 15,000 violations. Beginning in January actual tickets were being issued. More radar cameras will be added in 2003.

Emergency Services Rapid Response

On June 11, 2002, City emergency services personnel responded to a downed twin-engine airplane which was forced to land at the densely congested corner of Logan and McPhillips with seven passengers on board. The passengers were extricated and treated for injuries. Fortunately no one on the ground was injured. Both Winnipeg Police Service and Fire Paramedic crews responded to the accident providing assistance to those in need and restoring order in the area.

The Queen's Visit

The Winnipeg Police Service worked closely with the RCMP and government protocol officials to ensure a safe visit for Her Majesty Queen Elizabeth II and His Royal Highness Prince Phillip when they stopped in Winnipeg October 8 and 9, 2002. Mayor Glen Murray welcomed the Queen to the City.

Focus on Neighbourhood Safety

- Community Resource Coordinators' efforts have been focusing on promoting neighbourhood safety by working through partnerships to develop neighbourhood-based programming, and are actively involved in the City of Winnipeg's Safety Committee and the Downtown Safety Committee.

- The Police Service negotiated a three-year Police in Schools Pilot Project known as the North End School Resource Officer Partnership Initiative; and teamed with St. James School Division to create a division-wide Safe Schools Committee.

- The Fire/Paramedic Service has expanded its public educations safety focus through the introduction of such programs as Emergency Response Information Kit (ERIK), Public Access Defibrillation, fire extinguisher training programs, SAFE Baby, Youth Firestop, partnerships with Manitoba Public Insurance to inspect child car seats, and the Firefighters Burn Fund to provide the Fire Safety Trailer at public events.

Emergency Services personnel responded to a downed airplane on a busy city street.

Fire/Paramedic Services

The process of achieving operational amalgamation of Fire and Paramedic functions received EPC and Council approval in 2002. The newly combined fire and ambulance communications center was completed and opened in the Public Safety Building and a fully functional backup center was setup at Station #5.

- Two additional 24-hour equivalent ambulances were placed into service in 2002.
- Three more Thermal Imaging cameras were purchased as a result of public donations. These cameras are used to provide enhanced search capabilities at fire scenes to improve safety for firefighters.

Fire/Paramedic Service Responses for 2002

Fire Incidents – 41,428 service requests including 3,057 fire responses and 23,847 medical responses.

Ambulance Incidents – 59,338 service requests and 39,176 ambulance transports.

Audit Review of Police Communications Centre

The City Auditor's Report made 35 recommendations intended to improve the practices and processes of the 911 Centre. Recommendations included:

- Development of clear business objectives and service standards.
- Enhancement of the accessibility, completeness and consistency of key policies
- Refinement of the incident priority and call dispatch policies
- Improvement of the recruitment, selection and promotion processes
- Enhancement of the formal training program

The Audit Report also looked to the future and profiled new models that have emerged to reduce the pressure on emergency communications services and provide better access for citizens to information and City services.

Smoking By-law

The City's new Smoking Regulation By-law came into effect January 1, 2002. This by-law prohibits smoking in all enclosed public places where anyone under the age of 18 is allowed to attend or be present. The Community Services Department's Environmental Health Services played a lead role in the implementation of the proposed by-law and provided education and enforcement to ensure successful implementation and compliance. An extensive marketing campaign, coordinated with the CAO Secretariat, provided information about the by-law to the public and to an estimated

19,000 affected businesses. Overall compliance has generally been high during the first year of implementation. The new by-law has significantly decreased exposure to environmental tobacco smoke in enclosed public places for all citizens, particularly children.

Family Violence Intervention Project

Domestic violence is a growing concern across the country. The Family Violence Intervention Teams Pilot Project is an innovative project that resulted from the City's working group on domestic violence. The project is a collaborative venture between the Community Services Department and Police Services. Two Family Violence Intervention Teams, each consisting of a police detective and social worker, intervene in high-risk domestic violence cases where arrests have not been made. The project has just completed its second year and an interim evaluation concluded that the project has met all of its goals and objectives. To date the teams have assessed over 1,200 incidents, identifying 541 situations as "high risk." The teams have contacted and provided information to 365 families, and worked more intensely with 194 different families to increase their safety and reduce the harmful impacts of domestic violence.

Winnipeg Aboriginal Sport Achievement Centre (WASAC)

WASAC, a sport and cultural program for Aboriginal children and youth, was expanded in 2002. Approximately 900 participants attended the WASAC camp, and 28 participants attended the 2002 North American Indigenous Games held in Winnipeg.

Building Safer Communities

Building Safer Communities is an innovative program targeting at-risk children and youth. Over 10,000 children and youth have benefited from the positive opportunities held at various community locations such as recreation facilities, skateboard parks, and indoor/outdoor pools. Volunteers and Youth Guard and Aboriginal Youth Recreation staff have been involved in these initiatives, and have obtained valuable experience. As a result, the initiative is now part of the 2003 current budget estimates.

WASAC, a sport and cultural program for Aboriginal children and youth, was expanded in 2002.

The Winnipeg Committee for Safety

The Winnipeg Committee for Safety is community-driven with a mandate to support, assist, stimulate and mobilize the community. The Committee has distributed over 1,000 Safety Tool Boxes and thousands of "Who Do I Call" pamphlets, and other information dealing with safety and security. A forum on domestic violence and a program on conflict resolution training were developed for 2003.

West Nile Virus Response

The occurrence of West Nile Virus within Winnipeg in the summer of 2002 increased interdepartmental and intergovernmental working relationships with regard to insect control strategies within the City. The Province of Manitoba contracted with the City to provide insect surveillance and control services during this health emergency. Ongoing efforts are focused on actively working toward sustainable approaches to insect control including source reduction, more effective land drainage, and a reduction in the use of chemical pesticides. The City increased its Insect Control Services operating budget by $627,000 in order to increase larviciding with more environmentally sensitive insecticides. The City successfully negotiated a cost-sharing agreement with the Province for an extended mosquito larviciding program within a 6 km radius of Winnipeg.

Millennium Library Project Underway

In July 2002 the Library Services Division hired the architectural team of LM Architectural Group/Patkau Architects Inc. as the architects for the Millennium Library Project.

The City increased its Insect Control Services operating budget by $627,000 in order to increase larviciding with more environmentally sensitive insecticides.

In November 2002, City Council endorsed the schematic design for the Millennium Library Project that will include an expanded children's services area, newly created young adult services area, a local history room, an outdoor reading garden, enhanced meeting rooms and auditorium facilities, and a spectacular reading terrace and grand fourth floor addition to the library.

Library Acquisitions

Library Services devotes $2.3 million annually to the purchase of new materials in a variety of formats to meet the needs of users. New collection materials include DVD's, on-line resources, and CD-ROM's. The Library continues to make a significant investment in technology to enhance user services. Access to the Internet and other on-line resources are providing Winnipeg's citizens with the information needed to enhance their quality of life and education.

National Literacy Award

In 2002, the Winnipeg Public Library received the Stan Heath Award for Achievement in Literacy for its teen summer reading storytelling program. The award was presented at the Canadian Library Association Conference in Halifax.

"Share the Stories" Festival

In 2002, the Library Services Division was one of five cities across the country selected to receive funding from Coca Cola Inc. as part of their literacy initiative called "Share the Stories." Through this funding, the library was able to develop a "Share the Stories" story festival as well as run a series of programs for children in branches throughout the city.

New Library Service – Library Express Bestseller

In 2002 the Library Services Division established a new service for library users called "Library Express Bestseller." This initiative has significantly reduced the length of time users wait to receive bestsellers, and eliminated long hold lines on most titles. It has been very positively received by the public, and has now been expanded to most libraries in the system.

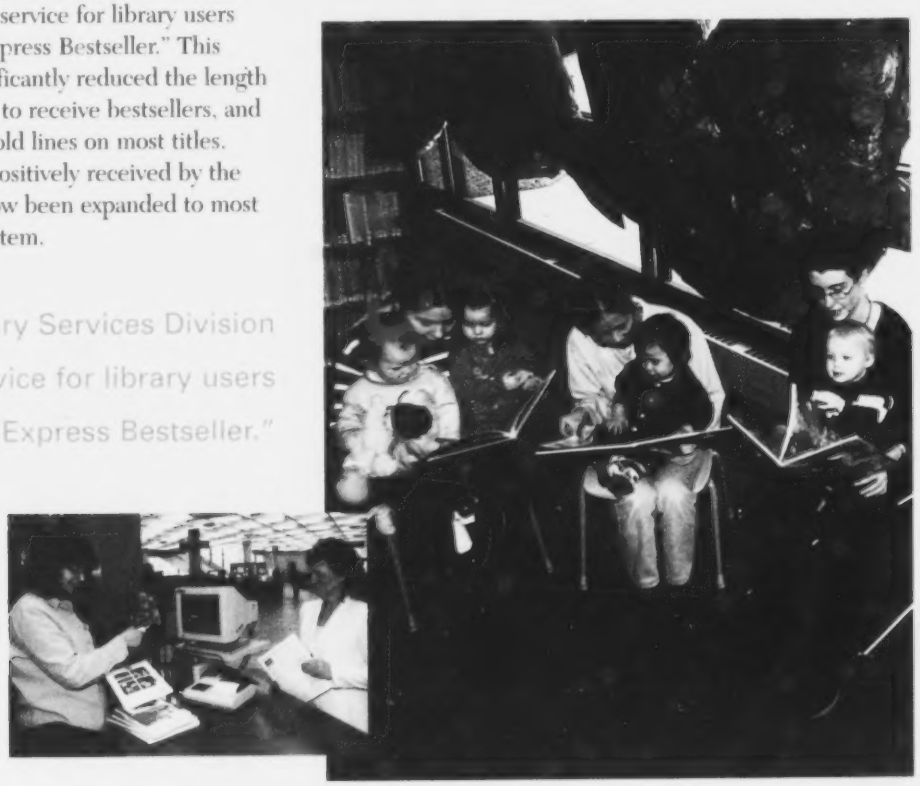
In 2002 the Library Services Division established a new service for library users called "Library Express Bestseller."

Library Technology Enhancement

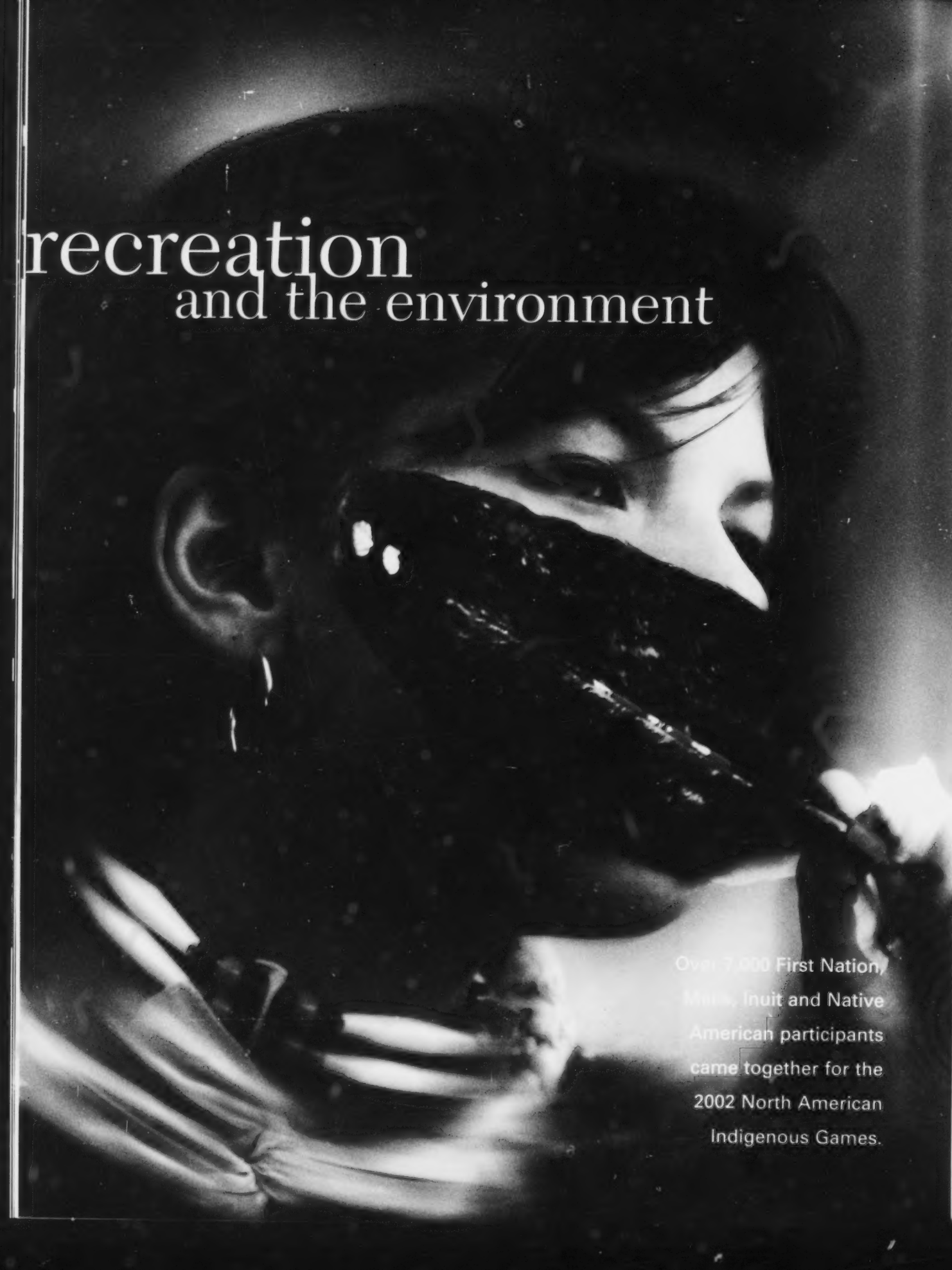
In 2002 the Library Service Division negotiated a new five-year contract with DYNIX for its automated library system. The new Windows-based system will be much more user-friendly and provide enhanced telephone messaging capabilities, improved search ability via the on-line catalogue, and a range of other improvements that will benefit both staff and public.

Customer Satisfaction

In the most recent public opinion survey (2002), conducted by Prairie Research Associates, Winnipeg citizens expressed their satisfaction with both Library and Recreation Services. In particular, over 93% of citizens indicated satisfaction with Library Services. Recreation Services received a 96% approval rate. Both ranked in the top six services provided by the City of Winnipeg.



recreation and the environment



Over 7,000 First Nation, Métis, Inuit and Native American participants came together for the 2002 North American Indigenous Games.

Winnipeg is a thriving, diverse and multicultural community. The City is rich in parks and recreation facilities providing for year-round enjoyment. The City is famous for hosting major events that celebrate the richness of our culture and add to the spirit of our community.

We are... providers of recreation and stewards of the environment

2002 North American Indigenous Games

The 2002 North American Indigenous Games were held in Winnipeg from July 25 - August 4, 2002. This Aboriginal multi-sport and cultural celebration was the largest gathering of its kind in Canadian history.

Over 7,000 First Nation, Metis, Inuit and Native American participants came together for this exciting eleven-day event. The Games provided a once in a lifetime opportunity for Aboriginals and non-Aboriginals to come together to celebrate amateur sport and the culture of North America's Indigenous People. Several city departments were involved in helping to make the games a success.

Urban Forests Preserved

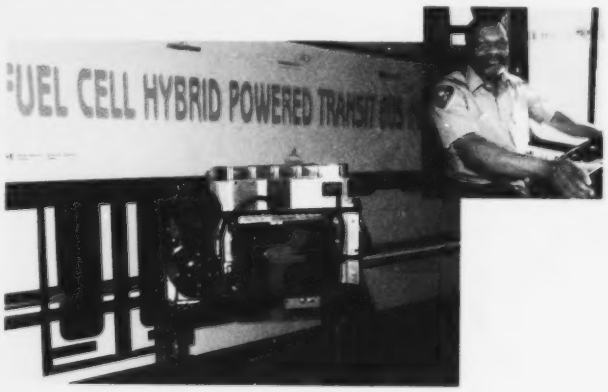
Assiniboine Forest is the largest urban forest located within Winnipeg boundaries. Its pathways promote recreational use and it also serves as a sanctuary for numerous deer and other wildlife. The Parks and Open Space Division continues to preserve and reclaim natural habitats in major open spaces through the ongoing expansion of naturalized areas.

EcoPass Builds Ridership

Winnipeg Transit implemented its EcoPass Program on a six-month pilot project basis involving the City of Winnipeg and 13 other major employers. After the pilot, all participants agreed to continue the program for at least another six months. Transit has seen substantial gain in monthly pass sales and ridership as a result of the program. At the end of a full year, the program will be re-evaluated to determine the overall benefits for Transit, the City, and the participants.

Alternative Fuels Testing: E-Diesel

Winnipeg Transit became the first transit system in Canada to test a new environmentally friendly fuel through a partnership with Husky Energy of Calgary and the Province of Manitoba. Ten test buses ran from November 1, 2001, to June 2002 on e-diesel fuel, blended from a 91.5% mixture of diesel fuel and 7.5% ethanol. Husky Energy approached Winnipeg Transit to test the ethanol-blended diesel to demonstrate the fuel's cold weather performance.



"Winnipeg Transit became the first transit system in Canada to test a new environmentally friendly fuel..."

Hybrid Fuel Cell Test

On December 6, 2002, Premier Gary Doer, the Government of Canada, Deputy Mayor Lillian Thomas, Hydrogenics Corporation, New Flyer Industries, Maxwell Technologies, Dynatec Industries, and ISE Research announced a three-year, $8 million dollar hybrid fuel cell transit bus project which will be demonstrated in Winnipeg. Although the development of hydrogen fuel cell buses is not new in Canada, this advanced hybrid electric fuel cell bus is the first of its kind in North America. The new fuel cell will be tested on a New Flyer Enviro bus expected to arrive in Winnipeg in the spring of 2004.

Winnipeggers Keen to Compost

Winnipeg's first compost bin sale, organized by the Solid Waste Division, was a huge success. Incredibly, 9,492 compost bins were purchased on June 22, 2002, when offered to the public at a subsidized price of $25. Each compost bin can prevent 100 kilograms of organics from going to the landfill annually. Organic materials produce methane gas in landfills, which contributes to harmful climate change.

Reduced Pesticide Use

The Public Works Committee established the Weed Control Advisory Committee with the goal of increasing safety standards and ultimately reducing the use of pesticides in urban areas. Recommendations of the Committee have been approved by the Public Works Committee including enhanced cultural practices, pesticide application buffer zones and the introduction of environmentally safe pest control programs.

Assiniboine Park Master Plan Development

A draft of the Master Plan for the Assiniboine Park Zoo has been completed. The process, which has engaged various Zoo stakeholders, will guide future development opportunities at the Zoo. A critical element of the Master Plan has been the preparation of an economic analysis. In addition, a comprehensive building analysis has been completed for the Assiniboine Park Conservatory. Both studies are now being considered as part of an overall framework plan for the future development of Assiniboine Park. A consultation process is now underway regarding this plan which will guide future reinvestment opportunities for the Park.

A consultation process is now underway regarding future development plans for Assiniboine Park.

Consolidated Financial Statements

2002

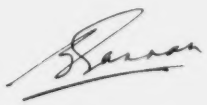
Responsibility for Financial Reporting

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee - the Mayor, the Deputy Mayor, and the chairpersons of Council's Standing Committees. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors.

Ernst & Young LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.



Robert P. Gannon
Chief Financial Officer

Auditors' Report

To the Mayor and Members of City Council of
The City of Winnipeg

We have audited the consolidated statement of financial position of **The City of Winnipeg** as at December 31, 2002 and the consolidated statements of operations and surplus, reserve funds, cash flows and change in net financial liabilities for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg** as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
April 4, 2003.

Chartered Accountants

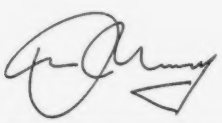
Consolidated Statement of Financial Position

As at December 31 (in thousands of dollars)

	2002	2001
Financial Assets		(Restated Note 2a)
Cash and short-term investments	**$ 313,145**	$ 481,237
Accounts receivable (Note 3)	**105,231**	110,373
Investments (Note 4)	**356,240**	69,028
Financial assets of discontinued operations (Note 4)	**-**	33,493
	774,616	694,131
Liabilities		
Notes payable (Note 5)	**85,650**	236,428
Accounts payable and accrued liabilities (Note 6)	**146,700**	136,699
Deferred revenue	**5,819**	5,232
	238,169	378,359
Debt (Note 7)	**496,292**	589,633
Other liabilities (Note 8)	**41,488**	35,787
Retirement allowance, vacation and other liabilities (Note 9)	**102,485**	99,836
Liabilities of discontinued operations (Note 4)	**-**	166,842
	878,434	1,270,457
Net Financial Liabilities	**(103,818)**	(576,326)
Non-Financial Assets		
Tangible capital assets (Note 10)	**927,507**	943,825
Inventories	**9,687**	9,531
Prepaid expenses	**3,069**	1,611
Deferred charges (Note 11)	**1,819**	659
Non-financial assets of discontinued operations (Note 4)	**-**	196,531
	942,082	1,152,157
Accumulated Surplus and Reserves	**$ 838,264**	$ 575,831
Commitments and contingencies (Notes 12, 15 and 19)		
Comprised of:		
Reserves (Note 13)	**$ 293,671**	$ 305,755
Surplus (Note 14)	**544,593**	270,076
	$ 838,264	$ 575,831

See accompanying notes to the consolidated financial statements

Approved on behalf of the Audit Committee



Glen Murray – Mayor

Bill Clement – Chairperson, Fiscal Issues Committee

Consolidated Statement of Operations and Surplus

For the years ended December 31 (in thousands of dollars)

	2002	2001
Revenues		(Restated Note 2a)
Taxation (Note 15)	**$ 484,220**	$ 480,974
Sales of services and regulatory fees (Note 16)	**295,534**	294,166
Government grants and transfers (Note 17)	**93,776**	93,741
Interest	**47,720**	35,708
Land sales and other revenue	**8,258**	7,698
Total Revenues	**929,508**	912,287
Expenses (Note 18)		
Protection and community services	**264,492**	258,308
Utility operations	**223,814**	217,622
Public works	**201,857**	203,794
General government	**67,076**	60,184
Finance and administration	**57,384**	52,457
Property and development	**53,403**	53,221
Civic corporations	**26,525**	27,758
Total Expenses	**894,551**	873,344
Excess of Revenues Over Expenses From Continuing Operations	**34,957**	38,943
Gain on sale of Winnipeg Hydro (Note 4)	**227,476**	-
Income from discontinued operations (Note 4)	**-**	21,678
Excess of Revenues Over Expenses	**262,433**	60,621
Allocated from (to) Reserves	**12,084**	(26,791)
Change in Surplus	**274,517**	33,830
Surplus, Beginning of Year	**270,076**	236,246
Surplus, End of Year (Note 14)	**$ 544,593**	$ 270,076

See accompanying notes to the consolidated financial statements

Consolidated Statement of Reserve Funds

For the years ended December 31 (in thousands of dollars)

	2002	2001
Increase:		
Transfer from operating and capital funds	**$ 49,382**	$ 49,203
Taxation	**16,487**	31,670
Interest	**10,334**	14,186
Other revenue	**6,207**	6,221
	82,410	101,280
Decrease:		
Expended during the year		
Transfer to operating and capital funds	**74,256**	58,348
Expended from Reserves	**20,238**	16,141
	94,494	74,489
Allocated (to) from operations	**(12,084)**	26,791
Balance, Beginning of Year	**305,755**	278,964
Balance, End of Year (Note 13)	**$ 293,671**	$ 305,755

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

For the years ended December 31 (in thousands of dollars)

	2002	2001
Net Inflow (Outflow) of Cash Related to the Following Activities:		(Restated Note 2a)
Operating		
Excess of Revenues Over Expenses From Continuing Operations	**$ 34,957**	$ 38,943
Non-cash charges to operations		
Amortization	**81,594**	87,868
Other	**5,413**	4,996
Working capital from operations	**121,964**	131,807
Net change in working capital other than cash assets	**14,116**	8,924
Cash provided by continuing operations	**136,080**	140,731
Capital		
Acquisition of tangible capital assets	**(94,502)**	(82,567)
Government of Canada capital grants	**9,427**	1,343
Province of Manitoba capital grants	**19,682**	21,055
	(65,393)	(60,169)
Financing		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(19,432)**	(16,705)
Debenture and serial debt retired	**(87,845)**	(8,715)
Sinking fund investments applied to debt redemption	**45,274**	-
Sinking fund debenture installments	**(30,873)**	(36,060)
Cash received on sale of Winnipeg Hydro (Note 4)	**8,424**	-
Other	**(1,445)**	2,260
	(85,897)	(59,220)
Investing		
Purchase of investments	**(2,104)**	(5,391)
Cash Provided by Discontinued Operations (Note 4)	**-**	21,398
(Decrease) Increase in cash assets	**(17,314)**	37,349
Cash assets, beginning of year	**244,809**	207,460
Cash assets, end of year	**$ 227,495**	$ 244,809
Components of Cash Assets		
Cash and short-term investments	**$ 313,145**	$ 481,237
Notes payable	**(85,650)**	(236,428)
	$ 227,495	$ 244,809

See accompanying notes to the consolidated financial statements

Consolidated Statement of Change in Net Financial Liabilities

For the years ended December 31 (in thousands of dollars)

	2002	2001
Excess of Revenues Over Expenses	**$ 262,433**	$ 60,621
Sale of Winnipeg Hydro non-financial assets	**196,501**	-
Amortization of tangible capital assets	**81,594**	87,868
Province of Manitoba grants for capital asset purchases	**19,682**	21,055
Government of Canada grants for capital asset purchases	**9,427**	1,343
Change in other non-financial assets	**(2,627)**	3,457
Acquisition of tangible capital assets	**(94,502)**	(82,567)
Decrease in Net Financial Liabilities	**472,508**	91,777
Net Financial Liabilities, Beginning of Year	**(576,326)**	(668,103)
Net Financial Liabilities, End of Year	**$ (103,818)**	$ (576,326)

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

As at December 31, 2002 (in thousands of dollars, except as noted)

1. Status of The City of Winnipeg

The City of Winnipeg ("the City") is a single-tier municipality created on January 1, 1972 pursuant to **The City of Winnipeg Act,** a statute of the Legislature of the Province of Manitoba ("the Province"). The City provides municipal services such as police, fire, ambulance, public works, urban planning, parks and recreation, library and other general government operations. The City owns and operates a number of public utilities, has several designated special purpose reserves and provides funding support for other financial entities involved in economic development, recreation, entertainment, convention, tourism and housing activities.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

a) Consolidation principles and basis of presentation

The consolidated financial statements of the City include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon ownership or control exercised by the City. Interfund and intercorporate balances and transactions have been eliminated except for amounts related to services offered commercially including utility charges. In 2002, one new fund (*) was added. Due to the sale of Winnipeg Hydro, the net assets and liabilities of the Pointe Du Bois Generating Station Redevelopment Reserve and Winnipeg Hydro were transferred to Manitoba Hydro effective January 1, 2002. For reporting purposes, the results and financial position of Winnipeg Hydro and the Reserve have been presented as discontinued operations. Accordingly, prior years' figures have been restated (Note 4). Also, Tourism Winnipeg and Economic Development Winnipeg were amalgamated to form Destination Winnipeg Inc. The consolidated financial statements include the following:

Special Purpose Reserves:
- Contributions in Lieu of Land Dedication Reserve
- Land Operating Reserve
- Recreation Programming Reserve
- Snow Clearing Reserve
- Idea Bank Reserve
- Commitment Reserve
- Heritage Investment Reserve
- Housing Rehabilitation Investment Reserve
- Economic Development Investment Reserve
- General Purpose Reserve
- Assiniboine Park Enterprises Reserve
- Perpetual Maintenance Fund – Brookside Cemetery
- Perpetual Maintenance Fund – St. Vital Cemetery
- Perpetual Maintenance Fund – Transcona Cemetery
- Workers Compensation Reserve
- Insurance Reserve

Stabilization Reserves:
- Mill Rate Stabilization Reserve
- Fiscal Stabilization Reserve

Capital Reserves:
- Equipment Replacement Reserve
- Watermain Renewal Reserve
- Combined Sewer Renewal Reserve
- Wastewater Sewer Renewal Reserve
- Water Treatment Reserve
- Environmental Projects Reserve
- Brady Landfill Site Rehabilitation Reserve
- Golf Course Reserve
- Library Reserve
- Transit Bus Replacement Reserve
- Concession Equipment Replacement Reserve
- Computer Replacement Reserve
- Aqueduct Rehabilitation Reserve
- Water Treatment Reserve (Sinking Fund)
- Brady Landfill Site Rehabilitation Reserve (Sinking Fund)

Other Funds:
- General Capital Fund
- General Revenue Fund

Other Funds (continued):
- General Revenue Enterprises Fund
- Equity in Capital Assets
- Transit System
- Waterworks System
- Sewage Disposal System
- Solid Waste Disposal System
- Equipment and Material Services
- Civic Accommodations Fund
- Public Works Fund
- Animal Services – Special Operating Agency
- Glacial Sand and Gravel – Special Operating Agency
- Golf Services – Special Operating Agency*

Other Entities:
- Winnipeg Public Library Board
- The Convention Centre Corporation
- Destination Winnipeg Inc.
- Winnipeg Enterprises Corporation (May 31st Year End)
- Winnipeg Housing Rehabilitation Corporation (March 31st Year End)

The employees' pension and group life insurance funds of the City are administered on behalf of the pension and group life insurance plan participants by the Employee Benefits Board for the payment of pensions and life insurance benefits and accordingly are not included in the consolidated financial statements. In addition, certain trust funds administered by the City, amounting to $0.2 million (2001 - $0.2 million), are not included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and change in net financial liabilities.

Separate financial statements for each of the above-noted entities, including the pension, group life insurance and trust funds, are included in the 2002 Detailed Financial Statements Report, a companion document to the City's 2002 Annual Report and Consolidated Financial Statements.

2. Summary of Significant Accounting Policies (continued)

b) Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay. Revenue from land sales is recorded in accordance with accounting principles used within the real estate industry.

c) School taxes

The City is required by **The Public Schools Act** to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of school boards are not reflected in these consolidated financial statements.

d) Short-term investments

Short-term investments consist of bankers' acceptance and term deposits and are recorded at cost, which approximates their quoted market value. These investments have varying maturities up to March 31, 2003, and have an effective average interest rate of 2.8% (2001 - 2.4%).

e) Investments

Bonds and debentures are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

Bond residues and coupons are carried at cost, plus accrued interest. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

f) Assessment appeal costs

The City accrues a liability to reflect the amount of future payments related to the assessment period, net of certain assessments, which will be deferred and amortized over the balance of the reassessment period.

g) Solid waste landfills

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites' capacity is used.

h) Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

i) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

j) Employee benefit plans

Contributions to the City's defined benefit pension plans are expensed when contributions are made. The costs of pensions and other retirement benefits are actuarially determined using the projected benefits method pro-rated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period.

2. Summary of Significant Accounting Policies (continued)

k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Liabilities for the year.

(i) Tangible capital assets

Tangible capital assets, including land, financed by debt are initially recorded at cost and amortized in the consolidated statement of operations and surplus at an amount equal to the principal repayments of the debt. Other, generally smaller, acquired tangible capital assets are budgeted for and charged to expenses in the consolidated statement of operations and surplus. Assets financed by debentures that are retired prior to maturity are amortized over the remaining expected useful life of the asset. In general, other assets are expensed in the year of purchase.

Cost includes certain interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the tangible capital asset.

(ii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. Tangible capital assets acquired under a capital lease are recorded at the amount of the related obligation. These capital leases are amortized based upon the principal portion of the capital lease payments in the consolidated statement of operations and surplus. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iii) Inventories

Inventories are recorded at the lower of cost and replacement cost.

(iv) Other deferred charges

The cost of certain initiatives that are long-term in nature and/or provide future economic or operational benefits to the City are deferred and amortized over the future periods to which they relate.

l) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

3. Accounts Receivable

	2002	2001
Property, payments-in-lieu and business taxes receivable	$ 47,978	$ 45,283
Allowance for property, payments-in-lieu and business tax arrears	(4,023)	(3,263)
	43,955	42,020
Trade accounts and other receivables	48,443	58,216
Province of Manitoba	10,826	9,568
Government of Canada	4,089	2,092
Allowance for doubtful accounts	(2,082)	(1,523)
	61,276	68,353
	$ 105,231	$ 110,373

4. Investments

	2002	2001
Marketable securities:		
Government of Canada bonds, bond residues and coupons	$ 38,081	$ 39,295
Province of Manitoba bonds, bond residues and coupons	35,590	26,542
	73,671	65,837
Manitoba Hydro long-term receivable	279,701	-
Other investments	2,868	3,191
	$ 356,240	$ 69,028

The aggregate market value of marketable securities at December 31, 2002 is $78.8 million (2001 - $71.2 million).

On February 27, 2002, City Council approved Manitoba Hydro's ("Hydro") proposal to purchase Winnipeg Hydro. The terms of the proposal included annual payments to the City of $25 million per annum commencing in 2002 and for the next four years thereafter; $20 million per annum for years six to nine; and $16 million for years ten in perpetuity. The City and Hydro have also agreed to other consideration, including at no cost to the City, guaranteed annual energy cost savings in the amount of $1 million through a combination of savings from participation in the Manitoba Hydro Power Smart programs and the provision of free Christmas lighting. The gain on the sale amounted to $227.5 million.

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City discounted at the City's average long-term borrowing rate of 6%.

5. Notes Payable

	2002	2001
Civic Employees' Pension Plan	$ 35,686	$ 129,274
Winnipeg Police Pension Plan	27,529	41,952
The Sinking Fund Trustees of The City of Winnipeg	17,668	60,699
Civic Employees' Group Life Insurance Plan	4,761	4,496
Council Members' (Pre-1972) Pension Plan	6	7
	$ 85,650	$ 236,428

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 2.7% (2001 - 2.2%). These notes are callable by the issuers.

6. Accounts Payable and Accrued Liabilities

	2002	2001
Accrued liabilities	$ 73,978	$ 57,614
Trade accounts payable	50,146	54,179
Accrued interest payable	22,576	24,906
	$ 146,700	$ 136,699

7. Debt

Term	Maturity Date	Rate of Interest	Series	By-Law No.	2002	2001
1992-2002	Feb. 19	8.875	VM	5838/92	$ -	$ 79,989
(1) 1988-2003	Feb. 23	10.250	VF	4783/88	**90,000**	90,000
1993-2003	May 19	8.500	VP	6163/93	**116,000**	116,000
1991-2004	Nov. 1	10.000	VL	5779/91	**32,985**	32,985
1990-2005	Oct. 1	11.700	VI	5507/90	**66,424**	66,424
1999-2009	Feb. 2	5.350	VV	7368/99	**50,000**	50,000
1989-2009	Dec. 14	10.000	VH	5286/89	**85,500**	85,500
1993-2013	Feb. 11	9.375	VN	6090/93	**90,000**	90,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**85,000**	85,000
1995-2015	May 12	9.125	VR	6620/95	**88,000**	88,000
1997-2017	Nov. 17	6.250	VU	7000/97	**30,000**	30,000
					733,909	813,898
Equity in Sinking Fund					**(363,097)**	(358,065)
Net sinking fund debentures outstanding					**370,812**	455,833
Other debt outstanding						
Serial and installment debt issued by the City with varying maturities up to 2007 and a weighted average interest rate of 5.94% (2001 - 5.69%)					**54,466**	62,320
Mortgages and bank loans incurred primarily by Winnipeg Enterprises Corporation and Winnipeg Housing Rehabilitation Corporation with varying maturities up to 2020 and a weighted average interest rate of 8.62% (2001 - 9.02%)					**43,666**	44,695
Capital lease obligations (Note 7d)					**27,348**	26,785
					$ 496,292	$ 589,633

Debt to be retired over the next five years:

	2003	2004	2005	2006	2007	2008 and over
Sinking fund debentures	$ 206,000	$ 32,985	$ 66,424	$ -	$ -	$ 428,500
Other debt	10,502	11,353	11,387	11,955	22,392	57,891
	$ 216,502	$ 44,338	$ 77,811	$ 11,955	$ 22,392	$ 486,391

(1) *retractable issue*

7. Debt (continued)

a) As part of the sale of Winnipeg Hydro, Manitoba Hydro issued bonds to the City with the same terms and conditions as the outstanding sinking fund debentures of $166.8 million recorded by Winnipeg Hydro as at the date of the sale. The sinking fund debentures have maturity dates ranging from 2002 to 2029. These bonds and sinking fund investments of $166.8 million, transferred into a defeasance trust, will generate the necessary cash flows of interest and principal to retire the outstanding debentures at maturity. As defeased, both the liability and the related assets have been removed from the City's consolidated statement of financial position.

b) Sinking fund assets have a market value of $386.3 million (2001 - $388.3 million). Sinking fund assets are comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of $99.9 million (2001 - $134.4 million) and a market value of $108.4 million (2001 - $142.2 million).

c) The **City of Winnipeg Act** requires the City to make annual payments to The Sinking Fund. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested by the Sinking Fund for the retirement of the debenture issues on their maturity dates.

Sinking fund debenture issues provide for full sinking fund at maturity except for the following debentures which, as a result of the levies being provided and the terms of the issues, will have sinking fund deficiencies requiring the issues to be refinanced at maturity.

Year of Maturity	Debenture By-Law	Issued Amount	Maturity Shortfall
2003	6163/93	$ 116,000	$ 50,549
2009	7368/99	50,000	30,981

The following sinking fund debentures matured with sinking fund deficiencies. As anticipated, they will be refinanced at a later date.

Year of Maturity	Debenture By-Law	Issued Amount	Amount to be Refinanced
2000	5552/90	$ 65,000	$ 38,316
2000	5553/90	65,000	25,467
2002	5838/92	79,989	33,398

d) Future minimum lease payments under the capital leases together with the balance of the obligation due under the capital leases are as follows:

	Capital Leases
2003	$ 3,546
2004	3,898
2005	3,323
2006	3,299
2007	3,707
Thereafter	40,332
Total future minimum lease payments	58,105
Amount representing interest at a weighted average rate of 9.43%	(30,757)
Capital lease liability	$ 27,348

7. Debt (continued)

e) Certain City of Winnipeg debentures are held as investments in the two pension plans for the employees of the City, as follows:

	2002	2001
Civic Employees' Pension Plan	$ 32,275	$ 32,275
Winnipeg Police Pension Plan	4,000	4,000
	$ 36,275	$ 36,275

f) Interest on debt recorded in the Statement of Operations in 2002 is $66.9 million (2001- $76.3 million).

g) Cash paid for interest during the year is $73.6 million (2001 - $76.4 million).

8. Other Liabilities

	2002	2001
Deferred:		
Other deferred liabilities	$ 22,571	$ 21,233
Developer deposits	6,902	6,316
Development agreement paybacks	2,015	2,238
	31,488	29,787
Environmental liabilities (Note 19)	10,000	6,000
	$ 41,488	$ 35,787

Included in environmental liabilities is $8.5 million of the estimated total landfill closure and post closure care expenses of $10.2 million. The estimated liability for these expenses is recognized as the landfill site's capacity is used.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post closure care activities discounted at the City's average long-term borrowing rate of 6.0%.

Landfill closure and post closure care requirements have been defined in accordance with the **Environment Act** and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 100 year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the City's one remaining landfill, the Brady Landfill Site, is 98% of its total estimated capacity and its estimated remaining life is 100 years, after which perpetual post closure maintenance is estimated.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2002, the reserve had a balance of $1.3 million (2001 - $1.1 million).

9. Retirement Allowance, Vacation and Other Liabilities

	2002	2001
Retirement allowance - accrued obligation	$ 69,136	$ 63,569
Unamortized net actuarial loss	(4,110)	(1,503)
Retirement allowance - accrued liability	65,026	62,066
Vacation	32,823	32,870
Other:		
Councillors' pension plan established under By-law 3553/83 (Note 20c(i))	4,100	4,100
Workers' compensation	536	800
Retirement allowance, vacation and other liabilities	102,485	99,836
Accrued liabilities recorded in the Funds' financial statements	(3,843)	(3,242)
Unfunded retirement allowance, vacation and other liabilities (Note 14)	$ 98,642	$ 96,594

a) Under the retirement allowance plan (including certain sick leave credits) for the majority of employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). This liability was actuarially calculated as at December 31, 2002. The liability excludes net actuarial losses amortized on a straight-line basis over 11.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

b) Employees accrue vacation credits, which together with unused holidays from previous years, generally become a charge to operations in the year that they are earned.

c) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims.

10. Tangible Capital Assets

	2002	2001
Tax supported municipal structures, facilities and initiatives:		
Streets and bridges	$ 321,596	$ 305,672
Core area initiative and other special projects	162,598	161,493
Civic accommodations, equipment and other property	100,967	105,407
Land drainage sewers	63,484	68,213
Culture and recreation facilities	57,530	59,536
Protection facilities	28,003	32,673
Public transportation vehicles and facilities	27,527	29,170
Health and social development facilities	5,718	6,488
Local improvements	4,614	4,534
	772,037	773,186
Self supporting entities:		
Sewage collection, treatment and disposal facilities	96,174	105,059
Water supply and distribution facilities	51,910	57,167
Solid waste collection and disposal facilities	7,386	8,413
	155,470	170,639
	$ 927,507	$ 943,825

Capital assets are stated at cost less accumulated amortization. Accumulated amortization at December 31, 2002 is $1,021.9 million (2001 - $939.3 million).

11. Deferred Charges

	2002	2001
Deferred elections costs	$ 1,282	$ -
Other deferred charges	537	659
	$ 1,819	$ 659

Deferred charges are stated net of accumulated amortization.

12. Commitments and Contingencies

The following significant commitments and contingencies existed at December 31, 2002:

a) The City has entered into a number of lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments are as follows:

	Operating Leases
2003	$ 4,024
2004	3,367
2005	2,874
2006	2,435
2007	1,796
Thereafter	2,309
	$ 16,805

b) The City is defendant in five significant lawsuits as at December 31, 2002. At this time the ultimate liability is not determinable. Other contingent liabilities consisting of routine claims for street and sidewalk accidents, property damage, etc. will be accounted for as revenue or expense in the period which the settlement occurs.

c) The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several community centres. The outstanding balance on these loans as at December 31, 2002 is $8.5 million (2001 - $9.5 million).

13. Reserves

Consolidated reserves consist of the following restricted reserves established under section 338 of **The City of Winnipeg Act**:

	2002	2001
Capital Reserves:		
Water Treatment Reserve	**$ 65,433**	$ 53,027
Environmental Projects Reserve	**32,280**	25,704
Combined Sewer Renewal Reserve	**16,539**	20,486
Equipment Replacement Reserve	**11,143**	10,107
Transit Bus Replacement Reserve	**4,659**	7,186
Other	**3,200**	2,705
Library Reserve	**3,132**	2,741
Aqueduct Rehabilitation Reserve	**2,679**	4,996
Golf Course Reserve	**1,631**	1,573
Watermain Renewal Reserve	**1,048**	7,089
Pointe Du Bois Generating Station Redevelopment Reserve	**-**	22,943
Stabilization Reserves:		
Fiscal Stabilization Reserve	**33,128**	32,538
Mill Rate Stabilization Reserve	**25,151**	23,359
Special Purpose Reserves:		
General Purpose Reserve	**26,082**	29,457
Perpetual Maintenance Fund - Brookside Cemetery	**9,045**	8,468
Snow Clearing Reserve	**8,845**	6,749
Commitment Reserve	**8,186**	5,599
Heritage Investment Reserve	**7,329**	6,379
Economic Development Investment Reserve	**7,072**	3,535
Insurance Reserve	**6,536**	9,405
Workers Compensation Reserve	**5,088**	4,428
Land Operating Reserve	**4,773**	5,877
Other	**3,951**	3,822
Contributions in Lieu of Land Dedication Reserve	**2,609**	1,927
Housing Rehabilitation Investment Reserve	**2,227**	2,805
	291,766	302,905
Other Reserves	**1,905**	2,850
	$ 293,671	$ 305,755

14. Surplus

Consolidated surplus consists of the following individual fund surpluses/(deficits):

	2002	2001
Appropriated:		
Equity in Capital Assets	**$ 274,317**	$ 246,239
Sewage Disposal System	**16,726**	17,141
Waterworks System	**3,326**	3,909
General Capital Fund	**1,128**	1,129
	295,497	268,418
Unappropriated:		
Winnipeg Hydro	**279,701**	37,035
Sewage Disposal System	**27,302**	26,403
Waterworks System	**24,620**	18,907
Solid Waste Disposal	**14,423**	13,806
The Sinking Fund Trustees of The City of Winnipeg	**7,100**	4,355
General Revenue Enterprises Fund	**4,247**	3,834
Other	**345**	(88)
	357,738	104,252
Unfunded:		
Environmental liabilities (Note 19)	**(10,000)**	(6,000)
Retirement allowance, vacation and other liabilities (Note 9)	**(98,642)**	(96,594)
	(108,642)	(102,594)
	$ 544,593	$ 270,076

The consolidated surplus represents the City's combined operating and capital fund balances. Separate disclosure of the operating and capital funds has not been presented as this information is not readily available.

Included in Accumulated Surplus and Reserves is Equity in Tangible Capital Assets which is determined as follows:

	2002	2001
Non-financial assets	**$ 942,082**	$ 1,152,157
Debt	**(496,292)**	(728,923)
Equity in non-financial assets	**445,790**	423,234
Other surplus and reserve balances	**392,474**	152,597
Accumulated Surplus and Reserves	**$ 838,264**	$ 575,831

15. Taxation

	2002	2001
Municipal and school property taxes	$ 750,120	$ 722,554
Payments-in-lieu of property (municipal and school) and business taxes	49,412	51,918
	799,532	774,472
Payments to Province and school divisions	(414,140)	(395,404)
Net property taxes and payments-in-lieu of property and business taxes available for municipal purposes	385,392	379,068
Business tax and license-in-lieu of business tax	62,564	56,095
Local improvement and frontage levies	17,947	28,108
Electricity and gas sales taxes	15,257	15,052
Amusement tax and mobile home license	3,060	2,651
	$ 484,220	$ 480,974

The property tax roll includes school taxes of $387.2 million (2001 - $367.1 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2002 totalled $27.0 million (2001 - $28.3 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba. If property taxes are reduced due to an assessment reduction the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

16. Sales of Services and Regulatory Fees

	2002	2001
Water sales and sewage services	$ 141,694	$ 143,489
Other sales of goods and services	81,877	78,314
Transit fares	47,620	48,000
Regulatory fees	24,343	24,363
	$ 295,534	$ 294,166

17. Government Grants and Transfers

	2002	2001
Province of Manitoba grants:		
Tax sharing	$ 47,343	$ 47,514
Ambulance, libraries and other	25,120	25,100
Unconditional	19,888	19,888
Transit	16,854	16,854
Support	7,843	7,618
Services transferred to the Province	(23,500)	(23,500)
	93,548	93,474
Government of Canada grants:		
Canada Mortgage and Housing Corporation	177	182
Dutch elm disease program, job training and other	51	85
	228	267
	$ 93,776	$ 93,741

18. Expenses by Object

	2002	2001
Salaries and benefits	$ 432,831	$ 412,488
Goods and services	280,404	284,078
Debt repayment	76,965	78,721
Debt interest	66,891	76,334
Grants and other expenses	37,460	21,723
	$ 894,551	$ 873,344

19. Measurement Uncertainty

Environmental Liabilities

In 2002, the City has accrued an overall liability for environmental matters in the amount of $10.0 million (2001 - $6.0 million) which represents management's best estimate of this liability. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

20. Pension Costs and Obligations

a) Civic Employees' Pension Plan

i) Actuarial Valuation

An actuarial valuation of both the Regular Account and the Supplementary Account under the Civic Employees' Pension Plan was made as of December 31, 2001 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Board of Trustees as best estimates of possible future experience for purposes of preparing this note to the financial statements. The demographic assumptions were chosen after a detailed analysis of past experience. The economic assumptions reflect expected long-term market conditions. This valuation was extrapolated to December 31, 2002 to determine the actuarial present value of accrued pension benefits disclosed below.

For the Regular Account, the actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services. The present value of the accrued pension obligations and the pension fund assets available to meet these obligations are as follows:

	2002	2001
Pension fund assets, at actuarial value	$ 2,363,022	$ 2,343,179
Accrued pension obligations	$ 1,994,658	$ 1,904,696

The market value of the Regular Account as at December 31, 2002 is $2.148 million (2001 - $2.355 million).

Funds from the Supplementary Account may only be used to provide cost-of-living adjustment to pensioners. The actuarial value of net assets will be used to fund cost-of-living adjustments already granted to pensions in payment plus future refunds of contributions to the Supplementary Account and future cost-of-living increases for retirees and current employees, as follows:

	2002	2001
Cost-of-living adjustments already granted	$ 129,479	$ 122,670
Future cost-of-living increases	383,464	380,616
	$ 512,943	$ 503,286

The market value of the Supplementary Account as at December 31, 2002 is $465 million (2001 - $503 million).

The most recent actuarial valuation for funding purposes as at December 31, 2001, disclosed an actuarial surplus in the Regular Account of $334 million which has yet to be allocated and a contingency reserve in the amount of $94 million.

20. Pension Costs and Obligations (continued)

i) Restructuring Towards Joint Trusteeship

On December 15, 1999, City Council and all of the unions representing the City of Winnipeg employees in the Plan approved the restructuring of the Employees Benefits Program, which includes the Civic Employees' Pension Plan. The restructuring of the Program required legislative amendment to **The City of Winnipeg Act** (received in 2001), Court approval and approval of regulatory authorities, (received in 2002). On January 1, 2003, the Program became jointly trusteed, with current and future actuarial surpluses or deficits being shared equally between the City and Plan members. The City's share of the surplus will be available to finance reductions of its contributions. The Plan members' share of the surplus will be available to improve benefits or reduce Plan members' contributions.

Under the restructured Program, benefits were improved with retroactive application to January 1, 2000, utilizing approximately $157 million of the Plan members' share of the actuarial surplus disclosed in the December 31, 1998 actuarial valuation of the Program. The benefits were improved pursuant to the Interim Arrangement described below and under joint trusteeship are extended to apply to service after December 31, 2002.

Under the restructured Program, the contribution rate for The City of Winnipeg and participating employers will not exceed 8% of pensionable earnings, whereas under the existing program provisions, Plan members contribute at the required rate and the employers are responsible for the balance of the Program's costs as determined by the Plan's actuary.

As a result of the changes in this multi-employer plan to joint trusteeship in 2003, the City will expense its contributions to the Plan when made.

ii) Interim Arrangement

To facilitate the implementation of certain benefit improvements to Plan members and provide access to contribution holidays to the City, on November 22, 2000 City Council and all of the unions representing employees in the Employee Benefit Program approved an amendment to the Program in accordance with the terms of an Interim Arrangement effective January 1, 2000.

Under the Interim Arrangement, the Plan members were provided with an interim allocation of actuarial surplus, as determined at December 31, 1998, in the amount of $150 million to finance benefit improvements. The residual portion of the allocation not yet used for benefit improvements is accounted for in the Plan Members' Account.

The City and participating employers were provided with an interim allocation of actuarial surplus, as determined at December 31, 1998, in the amount of $150 million to finance future contribution holidays below matching levels and refund of 1998 and 1999 employer contributions. The portion of this allocated surplus which remains unutilized is accounted for in the City Account.

To the extent that the City and participating employers contribute to the Plan and the Civic Employees' Long Term Disability Plan at less than matching levels for any year, transfers in the amount of the difference will be made from the City Account to the Regular and Supplementary Accounts as required to reflect this contribution subsidy.

In both 2002 and 2001, the City made no contributions to the Civic Employees' Pension Plan.

The balance of the City Account as at December 31, 2002 is $92 million (2001 - $114 million).

b) Winnipeg Police Pension Plan

i) Actuarial Valuation

An actuarial valuation of both the Regular Account and the Supplementary Account under the Winnipeg Police Pension Plan was made as of December 31, 2001 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Police Pension Board as best estimates of possible future experience for purposes of preparing this note to the financial statements. The demographic assumptions were chosen after a detailed analysis of past experience. The economic assumptions reflect expected long-term market conditions. This valuation was extrapolated to December 31, 2002 to determine the actuarial present value of accrued pension benefits disclosed below. For the Regular Account, the actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services. The present value of the accrued pension obligations and the pension fund assets available to meet these obligations are as follows:

20. Pension Costs and Obligations (continued)

	2002	2001
Pension fund assets, at actuarial value	**$ 589,179**	$ 580,938
Accrued pension obligations	**$ 488,518**	$ 455,258

The market value of the Regular Account as at December 31, 2002 is $539 million (2001 - $582 million).

Funds from the Supplementary Account may only be used to provide cost-of-living adjustment to pensioners. The actuarial value of net assets will be used to fund cost-of-living adjustments already granted to pensions in payment plus future refunds of contributions to the Supplementary Account and future cost-of-living increases for retirees and current employees, as follows:

	2002	2001
Cost-of-living adjustments already granted	**$ 31,568**	$ 28,993
Future cost-of-living increases	**57,504**	56,007
	$ 89,072	$ 85,000

The market value of the Supplementary Account as at December 31, 2002 is $82 million (2001 - $85 million).

The City did not make contributions to the Plan for 10 bi-weekly pay periods during 2002 and an equal benefit was provided to plan members through a transfer from the Regular Account to the Supplementary Account in the amount of $3 million to increase the funding of future cost-of-living adjustments.

In 2002, contributions made by the City to the Winnipeg Pension Plan was $3.8 million (2001 - $3.4 million).

c) Councillors' Pension Plan

On November 2, 1992, the pension plan provided to members of Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2002, the City paid out $0.3 million (2001 - $0.3 million).

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of Council for The City of Winnipeg which is consistent with the Civic Employees' Pension Plan.

d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' Pension Plan and the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan respectively. These plans provide life insurance coverage for members while employed and coverage can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance coverage. An actuarial valuation indicated that this post-retirement liability is fully funded.

21. Property and Liability Insurance

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of $250 thousand per claim for most of the policies. The City has established an Insurance Reserve Fund that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year. The balance of the reserve as at December 31, 2002 is $6.5 million (2001 - $9.4 million).

22. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Consolidated Financial Statements

Five-Year Review

As at December 31 ("$" amounts in thousands of dollars, except as noted)

(Unaudited)	2002	2001	2000	1999	1998
1. Population (as restated per Statistics Canada)	**631,200**	630,800	629,700	627,900	626,900
Unemployment rate (per Statistics Canada)					
• Winnipeg	**5.3%**	5.1%	5.3%	5.8%	5.6%
• National average	**7.7%**	7.2%	6.8%	7.6%	8.3%
2. Average total employees	**8,333**	8,870	8,888	9,097	9,166
3. Number of taxable properties	**198,827**	198,252	192,792	189,519	188,969
Payments-in-lieu					
• Number of properties	**825**	859	898	834	845
4. Assessment					
• Residential	**$ 17,711,900**	16,950,454	17,641,656	17,486,001	17,225,214
• Commercial and industrial	**7,011,063**	6,242,499	5,295,751	5,202,799	5,199,324
• Farm and golf	**108,179**	106,799	108,943	113,363	118,976
	$ 24,831,142	23,299,752	23,046,350	22,802,163	22,643,514
Assessment per capita (in dollars)	**$ 39,340**	36,937	36,599	36,315	36,120
Commercial and industrial as a percentage of assessment	**28.23%**	26.79%	22.98%	22.82%	22.96%
5. Tax arrears	**$ 47,978**	45,283	48,333	47,332	39,687
6. Tax arrears - per capita (in dollars)	**$ 76.01**	71.79	76.76	75.38	63.31
7. Municipal mill rate	**29.686**	32.140	32.809	33.479	33.479
• Percentage change adjusted for portioning and reassessment	**-2.00%**	-2.42%	-2.00%	-0.40%	1.13%
8. Winnipeg consumer price index (annual average)					
• 1992 base year 100	**123.30**	121.50	118.10	115.30	113.00
• Percentage increase	**1.48%**	2.88%	2.43%	2.04%	1.35%
9. Consolidated revenue					
• Taxation	**$ 484,220**	480,974	488,334	485,786	479,652
• User charges	**295,534**	416,408	409,474	402,968	392,884
• Gain on sale of Winnipeg Hydro	**227,476**	-	-	-	-
• Government transfers	**93,776**	93,741	92,530	96,318	140,825
• Interest and other revenue	**55,978**	50,078	86,460	57,894	37,560
	$ 1,156,984	1,041,201	1,076,798	1,042,966	1,050,921
10. Consolidated expenses by function					
• Municipal operations	**$ 644,212**	627,964	612,442	624,398	668,791
• Public utilities	**223,814**	324,858	307,868	323,502	298,949
• Civic corporations	**26,525**	27,758	26,566	26,576	25,263
	$ 894,551	980,580	946,876	974,476	993,003
11. Growth in Surplus for the year	**$ 274,517**	33,830	31,577	26,634	21,226
(Decline) Growth in Reserves for the year	**$ (12,084)**	26,791	98,345	41,856	36,692

Notes: In 1998, the City conducted a general reassessment which moved from a 1991 level of value to a 1996 level of value.
In 2002, the City conducted a general reassessment which moved from a 1996 level of value to a 1999 level of value.
The 1998 figures for Tax Arrears do not include payments-in-lieu of taxes.
The 2001-1998 figures include Winnipeg Hydro's operations.

Consolidated Financial Statements

Five-Year Review

As at December 31 ("$" amounts in thousands of dollars, except as noted)

(Unaudited)	2002	2001	2000	1999	1998
12. Consolidated expenses by object					
• Salaries and benefits	$ 432,831	437,557	435,028	449,514	437,385
• Goods and services	280,404	340,983	299,586	310,958	276,583
• Debt interest and repayment	143,856	176,253	189,312	182,818	183,176
• Grants and other expenses	37,460	25,787	22,950	31,186	95,859
	$ 894,551	980,580	946,876	974,476	993,003
13. Payments to school authorities	$ 414,140	395,404	380,905	368,983	356,771
14. Long-term debt					
• Tax-supported	$ 576,659	631,332	636,340	741,286	692,796
• Transit	38,007	42,607	42,782	45,951	46,115
• City-owned utilities	204,833	419,957	419,517	420,272	393,400
• Other	39,890	40,892	41,881	41,811	39,590
• Total gross debt	859,389	1,134,788	1,140,520	1,249,320	1,171,901
• Less: Sinking Fund	363,097	405,865	353,101	345,859	291,164
• Total net long-term debt	$ 496,292	728,923	787,419	903,461	880,737
Percentage of total assessment	2.00%	3.13%	3.42%	3.96%	3.89%
15. Acquisition of tangible capital assets					
Gross purchases	$ 157,511	135,693	124,075	181,090	147,761
Less: Internally financed					
• Combined Sewer Renewal	18,074	16,957	17,532	13,838	9,805
• Frontage levies	10,000	-	-	-	-
• Watermain Renewal	8,964	7,940	7,399	7,944	6,591
• Aqueduct Rehabilitation	8,242	5,659	4,813	5,516	4,960
• Transit Bus Replacement	4,865	3,686	-	8,251	4,750
• General Revenue	3,900	4,645	1,200	-	4,000
• Sewage Disposal System	3,412	3,749	3,500	3,253	1,193
• Other	2,681	1,709	1,058	2,900	2,725
• Waterworks System	1,635	1,601	3,333	6,594	411
• Environmental Projects	935	453	792	5,403	1,286
• Equipment Materials Service	301	6,727	1,994	1,795	287
	63,009	53,126	41,621	55,494	36,008
	$ 94,502	82,567	82,454	125,596	111,753
16. Capital financing during the year					
• Debenture debt issued	$ -	-	30,000	80,000	-
• Grants	29,109	22,398	20,274	28,979	42,939
	$ 29,109	22,398	50,274	108,979	42,939
17. Reserves and Surplus					
• Reserves	$ 293,671	305,755	278,964	180,619	138,763
• Surplus	$ 544,593	270,076	236,246	204,669	182,935
18. Area in acres at the end of the year	116,000	116,000	116,000	116,000	116,000
19. Construction					
• Permits issued	8,719	7,938	7,893	7,701	7,820
• Value	$ 427,028	372,969	475,691	504,158	499,975
Housing starts	1,451	1,290	1,044	1,127	1,304

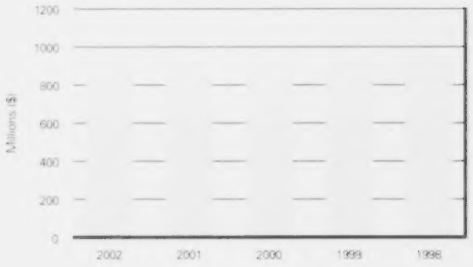
Note: In 2001, the City began to accrue Councillors' pension plan established under By-law 3553/83 and workers compensation.
Figures prior to 1999 have not been restated.
The 2001-1998 figures include Winnipeg Hydro's operations.

Consolidated Financial Statements

Five-Year Review

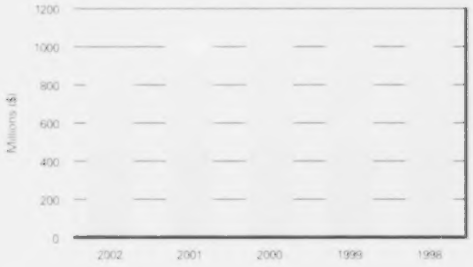
Consolidated Expenses by Function (1)

- Civic Corporations
- Public Utilities
- Municipal Operations



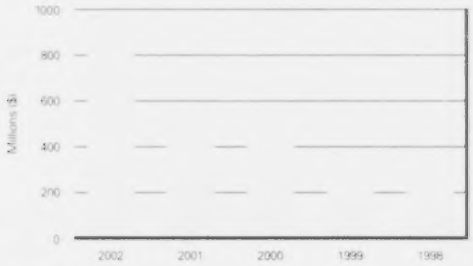
Consolidated Revenues by Source (2)

- Interest and Other Revenue
- Government Transfers
- User Charges
- Taxation



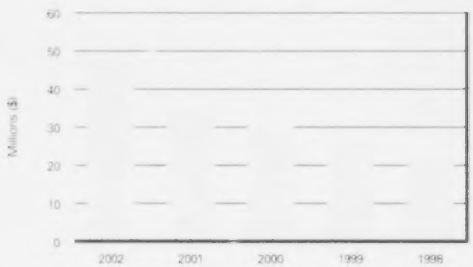
Reserves and Surplus (1)

- Surplus
- Reserves



Growth in Surplus for the Year (1 and 2)

- Surplus



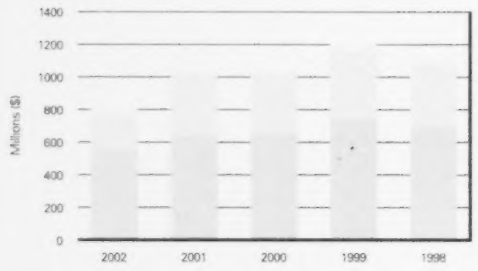
(1) In 2001, the City began to accrue Councillors' pension plan established under By-law 3553/83 and workers' compensation. Figures prior to 1999 have not been restated.

(2) Excludes the gain on sale of Winnipeg Hydro.

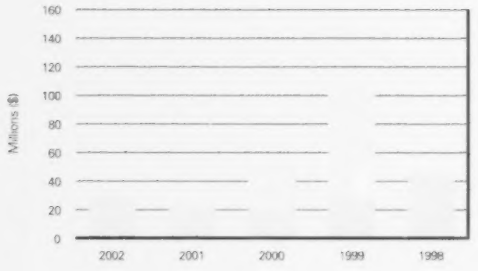
Consolidated Financial Statements

Five-Year Review

Summary of Consolidated Long-Term Debt



Sources of Capital Financing



Principal Corporate Taxpayers

	Total 2002 Municipal and Business Taxes (in millions of dollars)
Centra Gas (Manitoba) Inc.	**$ 3.6**
Ontrea Inc.	**$ 3.5**
OPB Realty (St. Vital) Inc.	**$ 2.8**
Canadian National Railway Co.	**$ 2.1**
North Portage Development Corp.	**$ 2.1**

A Responsive Political Structure

On January 1, 1972, **The City of Winnipeg Act** came into force creating the new unified City of Winnipeg. The legislation amalgamated a previously fragmented municipal structure of 12 municipalities and the Metropolitan Corporation of Greater Winnipeg into one single unified city government (Unicity). In the last 30 years, the City's political decision-making structure has been both reduced in size and significantly streamlined. On January 1, 2003 **The City of Winnipeg Act** was replaced by Bill 38 – **The City of Winnipeg Charter Act.**

The citizens of Winnipeg are served by the Mayor, who is elected at large, and 15 full-time Councillors, each representing one ward. On September 25, 2002, new boundaries and names for each of the 15 wards came into force, as approved by the Winnipeg Wards Boundaries Commissions on November 15, 2001.

Council is the governing body of the City and the custodian of its powers, both legislative and administrative. The City may exercise only those powers granted to it by legislation. Council is supported by its Executive Policy Committee (EPC), four Standing Committees, as well as community and ad hoc committees.

Passed by Council on October 29, 1997, **The City Organization By-law, No. 7100/97,** provides for the governance and administrative structure of the City and the delegation of certain powers and responsibilities from Council to EPC, the Standing Committees, and the Chief Administrative Officer, and sets out Council's delegation of authority.

Executive Policy Committee

EPC is chaired by the Mayor and is comprised of the chairpersons of the standing committees, and other members of Council appointed by the Mayor. The number of members of EPC cannot exceed seven.

Standing Committees

Council is assisted in the discharge of its responsibilities by its Standing Committees. These committees are delegated certain powers and duties, and provide policy advice related to their specific responsibilities to Council through EPC. They also receive recommendations from the five Community Committees which provide the forum for public input.

The Standing Policy Committees on Property and Development, Protection and Community Services, and Public Works are responsible for providing policy advice to Council on matters within their respective jurisdictions, as detailed in the chart on the facing page.

The Standing Committee on Fiscal Issues is responsible for coordinating and advising EPC on the City's fiscal policy development and fiscal strategies.

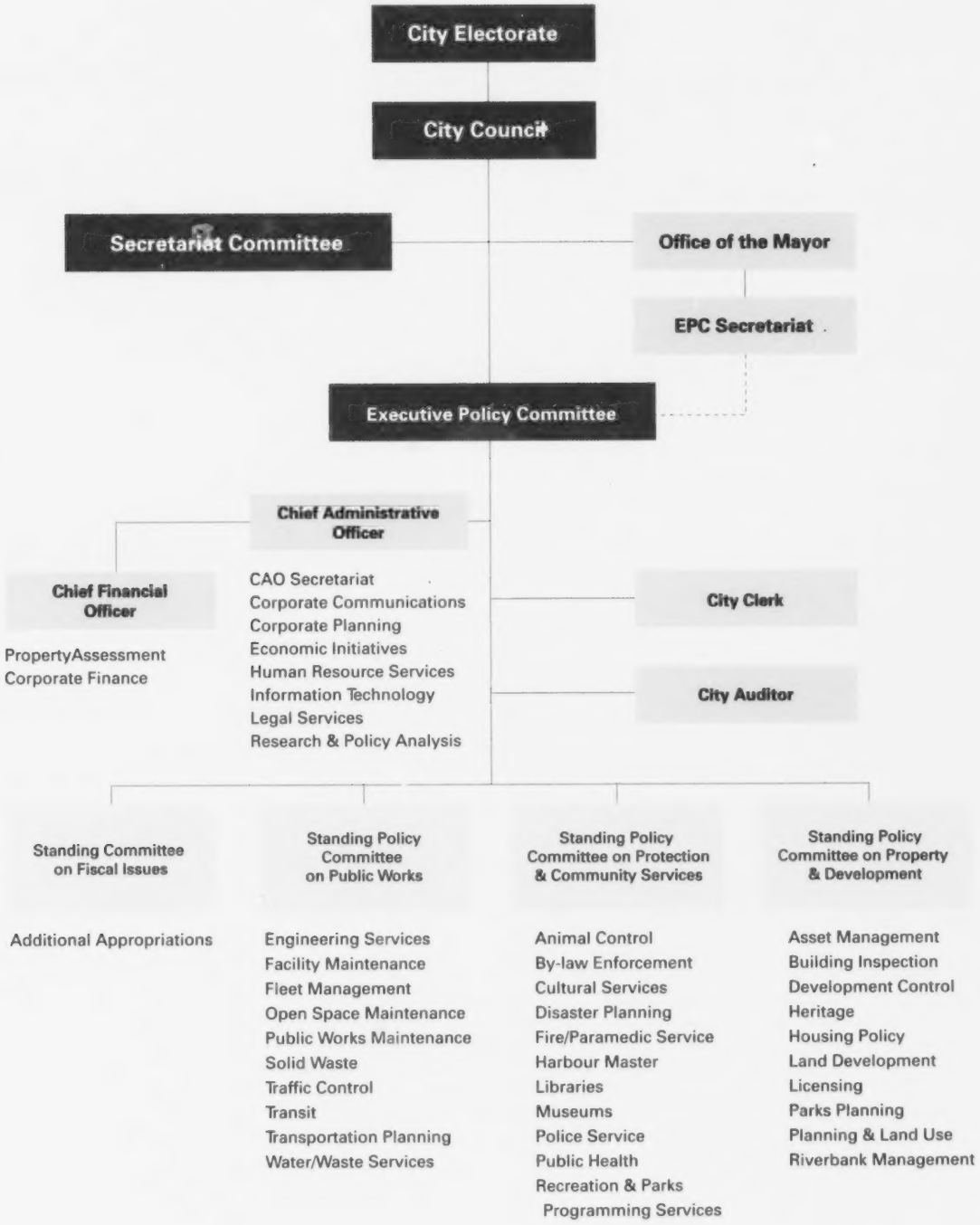
Chief Administrative Officer:

The City Organization By-law provides for a Chief Administrative Officer (CAO), reporting directly to EPC. As the senior representative of the civic administration, the CAO is responsible for overseeing implementation of the policies and programs of the city. The CAO also make policy recommendations and provides information to Council for its deliberation.

A Chief Financial Officer (CFO) reports to the CAO. Both the Corporate Finance and Property Assessment departments report to the CFO.

Other departments reporting directly to the CAO include: Community Services, Corporate Information Technology, Corporate Services, Police Service, Fire/Paramedic Service, Public Works, Transit, Water and Waste, and Planning, Property and Development.

Executive and Functional Organization



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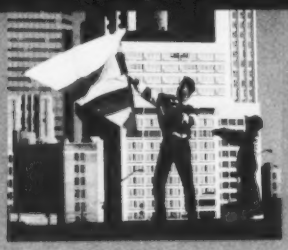
City Electorate
City Council
Secretariat Committee
Office of the Mayor
EPC Secretariat
Executive Policy Committee
Chief Administrative Officer
Chief Financial Officer
PropertyAssessment
Corporate Finance
CAO Secretariat
Corporate Communications
Corporate Planning
Economic Initiatives
Human Resource Services
Information Technology
Legal Services
Research & Policy Analysis
City Clerk
City Auditor
Standing Committee on Fiscal Issues
Additional Appropriations
Standing Policy Committee on Public Works
Engineering Services
Facility Maintenance
Fleet Management
Open Space Maintenance
Public Works Maintenance
Solid Waste
Traffic Control
Transit
Transportation Planning
Water/Waste Services
Standing Policy Committee on Protection & Community Services
Animal Control
By-law Enforcement
Cultural Services
Disaster Planning
Fire/Paramedic Service
Harbour Master
Libraries
Museums
Police Service
Public Health
Recreation & Parks Programming Services
Standing Policy Committee on Property & Development
Asset Management
Building Inspection
Development Control
Heritage
Housing Policy
Land Development
Licensing
Parks Planning
Planning & Land Use
Riverbank Management



2002 Council

His Worship
Mayor Glen Murray

John Angus,
St. Norbert Ward
Chairperson, Standing Policy Committee on Public Works

Bill Clement,
Charleswood – Fort Garry Ward
Charleswood – Tuxedo Ward, as of September 25, 2002
Chairperson, Standing Committee on Fiscal Issues

Peter De Smedt,
St. Charles Ward
Chairperson, Alternate Service Delivery Committee

Joe Zadko,
St. James Ward
Chairperson, Standing Policy Committee on Protection and Community Services until November 5, 2002
Secretary of Intergovernmental Affairs commencing November 5, 2002

Jenny Gerbasi,
Fort Rouge Ward
Secretary of Intergovernmental Affairs until November 5, 2002
Chairperson, Standing Policy Committee on Protection and Community Services commencing November 5, 2002

Harry Lazarenko,
Mynarski Ward
Deputy Speaker
Chairperson, Riverbank Management Committee

Mark Lubosch,
North Kildonan Ward

Mike O'Shaughnessy,
Old Kildonan Ward
Speaker and Chairperson, Secretariat Committee

Michael Pagtakhan,
Point Douglas Ward
commencing November 5, 2002

John Prystanski,
Point Douglas Ward
until November 5, 2002

Harvey Smith,
Daniel McIntyre Ward

Garth Steek,
River Heights Ward
River Heights – Fort Garry Ward, as of September 25, 2002

Gord Steeves,
St Vital Ward
Acting Deputy Mayor

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Elmwood Ward
Elmwood – East Kildonan Ward, as of September 25, 2002
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until November 5, 2002

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2002 Senior Administrators

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Cliff Jeffers
Chief Information Officer

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Chief of Human Resources and Corporate Services

Rick Borland
Director, Winnipeg Transit

Jack Ewatski
Chief, Winnipeg Police Service

Shannon Hunt
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City Clerk

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Director, Water and Waste

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Wes Shoemaker
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Ursula Stelman
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Key City Contacts

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The City of Winnipeg's Detailed Financial Statements for 2002 are available as a companion document to the Annual Report.

The City of Winnipeg Home Page can be found at: www.winnipeg.ca

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Winnipeg is beautiful, filled with scenic parks, a thriving and prosperous, community which is home to many cultures. The City's people are the warmest and friendliest in the world. Winnipeg – it's a great place to call home!

Design: Deschenes Regnier